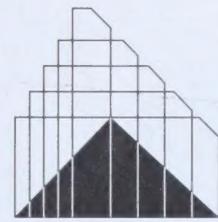


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**ALBERTA PUBLIC WORKS,
SUPPLY AND SERVICES**

**ANNUAL REPORT
1996 – 1997**

1996-1997
ANNUAL REPORT
ALBERTA PUBLIC WORKS,
SUPPLY AND SERVICES



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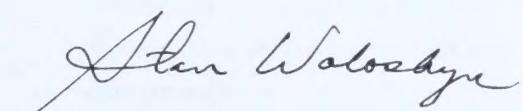
TABLE OF CONTENTS

Statement of Accountability	3
Message From the Minister	4
Message From the Deputy Minister	6
Overview	8
Organizational Chart	8
Our Core Businesses	9
Analysis of Key Activities in the Past Year	16
Results Analysis	25
Performance Measures	25
The Future	29
Management's Responsibility for Financial Reporting	30
Financial Information	31



STATEMENT OF ACCOUNTABILITY

The Ministry's Annual Report for the year ended March 31, 1997, was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All of the government's policy decisions as at June 13, 1997 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.



Stan Woloshyn
Minister
Public Works, Supply and Services
September 1997

MESSAGE FROM THE MINISTER



ASSESSMENT OF PERFORMANCE

I am pleased to report that in 1996-97, Public Works, Supply and Services (PWSS) has exceeded all of our performance targets for the fiscal year. Our performance measurements cover customer satisfaction for both project delivery and procurement services, operating cost per square metre and efficiency of procurement services.

WHO WE ARE

PWSS is a central service agency, whose mission is to minimize the cost of common services needed to support government program delivery. Our main clients are other departments, boards and agencies across government.

In delivering our services, we are involved in the provincial government's core businesses of people, prosperity and preservation.

We facilitate services to people by providing government facilities and major water management projects and upgrading seniors' housing to assist in delivering government programs and services.

PWSS contributes to the province's prosperity by providing cost-effective common services to government, ensuring a fair and accessible procurement system for goods and services, providing innovative information technology services and ensuring their availability.

The department also preserves the Alberta tradition of pride in Alberta by directly providing or funding the upgrading, construction and maintenance of quality public facilities, such as health care facilities, courthouses and museums.

LOOKING BACK

In the past year, PWSS identified seven major strategies which would support the Alberta government's Business Plan and provided the framework for the direction of the ministry in 1996-97. The following are some of our accomplishments over the past year.



During 1996-97, PWSS invested approximately \$105 million in health facilities, \$22.3 million for government capital projects, \$15.1 million for seniors' lodge upgrading projects and \$12.5 million for water management projects in Alberta.

In the past year, 3,087 vendors used the Open Bidding Service (OBS), an electronic tendering service that provides easy access to information about government contracts.

We also chaired the committee and undertook a leadership role among provincial, territorial and federal governments to select a successor to the Open Bidding Service (OBS) and will facilitate the transition to the next generation of electronic tendering system in the fall of 1997.

Industry stakeholders and staff continued to help us improve on the effective and efficient delivery of government programs. In 1996-97, 66 per cent of all tendered purchases were made using streamlined measures such as standing offer orders for the purchase of common goods.

Last year more than \$200,000 in net annual savings to the government were achieved by reducing network costs through utilizing technology. This was accomplished by converting older network connections to the government's shared data network.

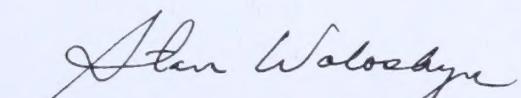
Using innovative ways to reduce and optimize the use of government owned and leased space, we were able to save taxpayers' dollars by reducing government space by approximately 60,000 rentable square metres.

A LOOK FORWARD

The measures used to assess customer satisfaction with our performance in 1996-97 indicated how well PWSS is using available resources to meet the needs of Albertans. With each new planning cycle, we will refine our results-oriented performance measures to enhance the way we do business.

In the upcoming year, we will place a greater emphasis on the training and development of our staff. We feel that trained and knowledgeable staff are essential to meeting PWSS' current and future business needs.

Another priority will be our emphasis on what is popularly known as the "Year 2000 Challenge." We are working with the Chief Information Officer and government ministries to ensure that all critical government computer systems can accommodate dates beyond December 31, 1999. We will continue to work closely with our customers and their extended stakeholders to ensure that this information technology challenge is successfully addressed.



Stan Woloshyn



MESSAGE FROM THE DEPUTY MINISTER

In 1996-97, we continued to work with the private sector, our customers and staff to streamline the way we do business. Although this fiscal year saw continued reductions in spending, we increased our focus on customer service, as indicated by our performance measurements, and undertook several new major initiatives, especially in the information technology area.

MAJOR INITIATIVES

PWSS spearheaded two major information technology initiatives in 1996-97 for the Government of Alberta. First, we led the cross-government team which is implementing the new Alberta Government Integrated Management Information System (IMAGIS). This software will standardize financial and human resource systems and reduce duplication across government.

Second, we are working in close cooperation with the Chief Information Officer to develop and oversee an action plan for ensuring critical government information systems are Year 2000 compliant. This is a major challenge facing governments and businesses the world over.

In 1996-97, we established software standards for desktop micro computers within the department. We have already seen the benefits of this through efficiencies in training, compatibility and client problem support.

Both our Property Management and Property Development units continued to support our goal to be an increasingly environmentally-sensitive organization with a number of initiatives. They range from developing environmental impact assessments for water management projects to conducting energy audits on government-owned facilities and implementing innovative energy performance contracts, in which energy retrofits are financed by the private sector.

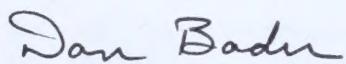
ACCOUNTABILITY

One major goal in our business plan is to improve the accountability and responsibility of program departments for more of the services they consume. In the past year, we made changes to several areas of our operations. Departments are now directly responsible for managing the budgets for their local telecommunications services, small tenant improvements and replacement furniture they require. We have also improved the annual accommodation cost reports we provide to departments to better reflect the total cost for these services to each department.

BUSINESS PLANNING PROCESS

This fiscal year also saw new developments in our business planning process. To help our employees better understand how their jobs relate to our departmental business plan goals, we began developing business plans for each of our core business units and support groups. This will help ensure that each area of the department is contributing to the achievement of our common goals and, most importantly, that each of our employees knows what we are expected to contribute in fulfilling these goals.

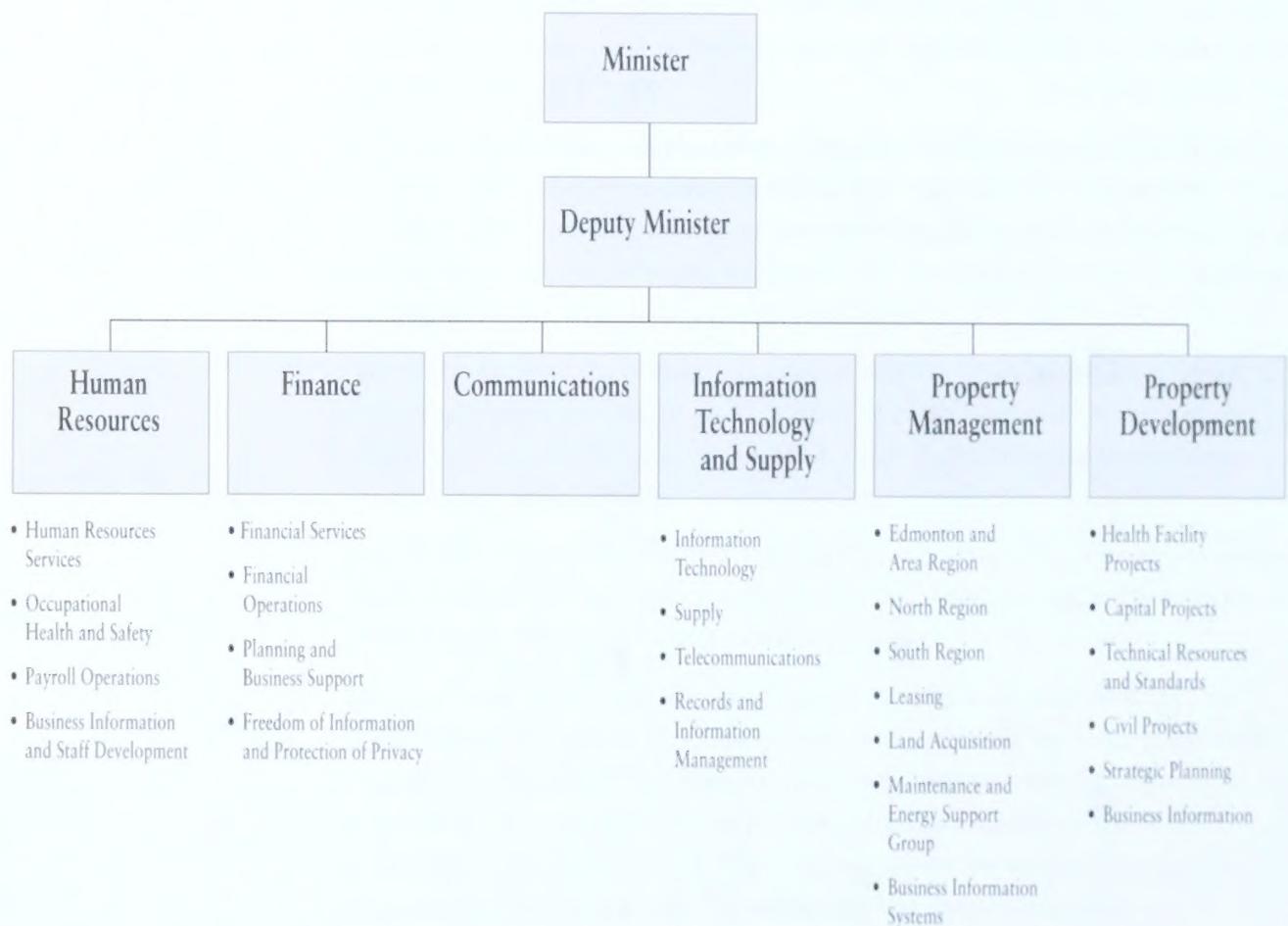
During 1996-97, we exceeded our key performance objectives and many of the goals outlined in our business plan. I would like to commend our staff for their hard work and dedication during the past year which made these achievements possible.



Dan Bader

OVERVIEW

ORGANIZATIONAL CHART



OUR CORE BUSINESSES

Public Works, Supply and Services is the central government agency responsible for providing government departments, boards and agencies with the services they need to deliver government programs. The department's responsibilities include constructing and maintaining capital infrastructure such as buildings, health facilities, dams and reservoirs; providing accommodation for government departments, boards and agencies; delivering information technology services; and acting as the central procurement agency for all government departments.

PWSS serves its client departments, boards and agencies through three core business units: Property Development, Property Management, and Information Technology and Supply.

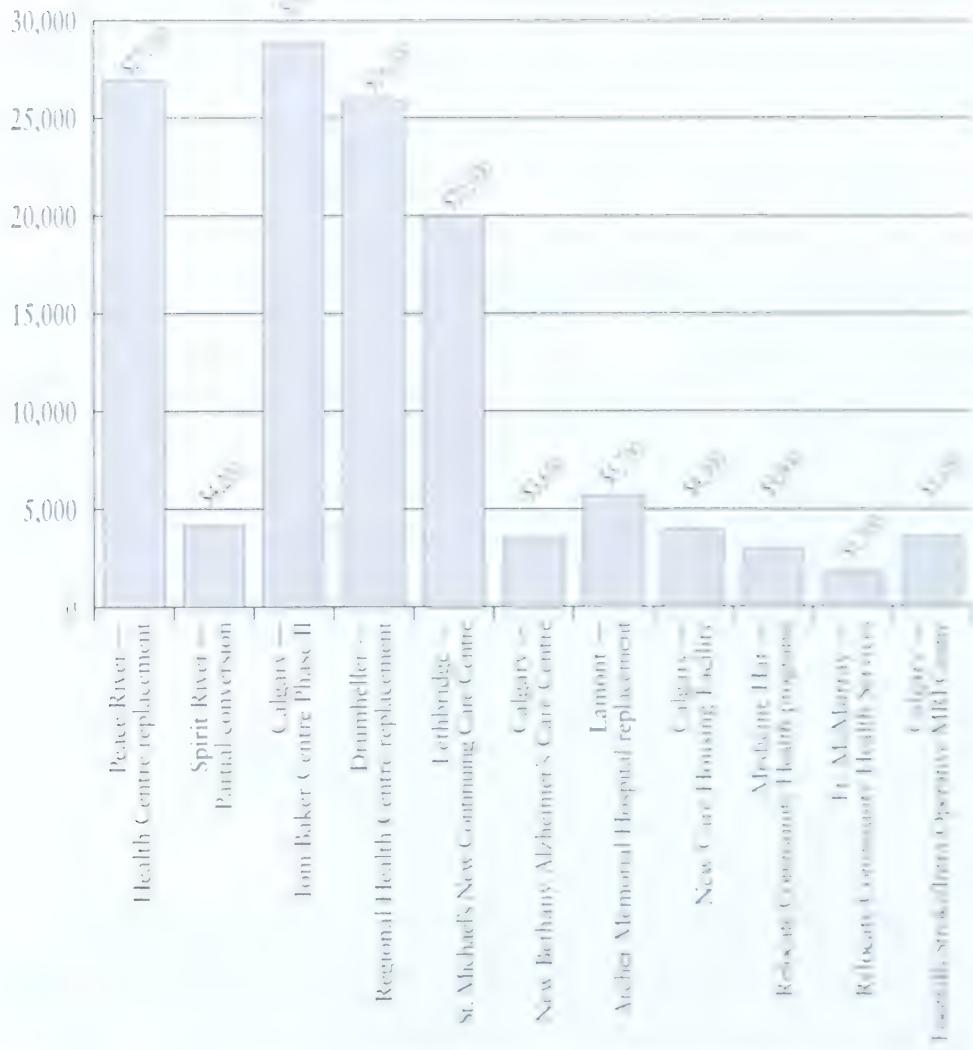
PROPERTY DEVELOPMENT

Property Development works with client departments, boards and agencies to provide and upgrade capital infrastructure including government and health facilities, seniors' lodges, dams and reservoirs. Branch responsibilities include planning, project management, and professional and technical services. These services are carried out through six business units:

The **Health Facility Projects Division** manages the provincial government's health facility construction program. In 1996-97, the budget was \$105 million. The division, in consultation with Alberta Health, works with Regional Health Authorities (RHAs) to assess their existing facilities, develop long-term capital plans and plan for required new projects. After the RHAs submit their capital plans and proposals for new projects, the division works closely with Alberta Health to assess the proposals against Provincial Capital Planning Guidelines to determine the priority of each project in relation to available funds. In 1996-97, the government announced 11 new capital projects to proceed with design and construction.

Approved Health Capital Projects

Total Provincial Support (\$'000)



The Technical Resources and Standards Division provides professional and technical advisory services to support planning, design, documentation, construction, operation and maintenance of government-funded facilities. Areas of responsibility include facility condition analysis, construction cost planning, value management and advisory services, tender administration, and development of standards for the design and technical performance of government facilities.

The Civil Projects Division provides technical and management services required to budget, assess, design and construct major water management and rehabilitation projects, as well as municipal infrastructure of government-owned sites. Projects include water supply and distribution systems, sewage collection systems, legal surveys, demolition, environmental assessments, site restitution, large dams, canals and related environmental impact assessments, regulatory approvals and mitigation.

The **Capital Projects Division** provides professional and management services required to plan, deliver and administer building construction, tenant improvements and seniors' lodge upgrading projects on behalf of client departments, boards and agencies of the Alberta government.

The **Strategic Planning Division** develops corporate policies and strategies for the effective use and disposition of government property and maintains information on the department's property portfolio. The division also budgets and develops acquisition plans for land required by client departments for the delivery of their programs.

The **Business Information Branch** provides financial management support and business information systems, and oversees records management for the major business functions within Property Development.

PROPERTY MANAGEMENT

Property Management operates and maintains government-owned properties, acquires and administers leased space, and buys and sells properties. In 1996-97, it was responsible for more than two million square metres of government-owned and leased space. Property Management also acts as an agent on behalf of government boards and agencies, Alberta Treasury Branches and the Alberta Gaming and Liquor Commission in negotiating and administering real estate and property management services. These services are provided through three Regional Property Management units, the Leasing Branch and the Land Acquisition Branch.

The three **Regional Property Management** units cover the Edmonton and Area Region, South Region and North Region. These units manage and operate approximately 2,500 government-owned facilities in more than 200 locations across the province. They are also responsible for the day-to-day administration of leased space.

The **Leasing Branch** negotiates and documents more than 1,200 leases. About 550 are contracts where government rents space from others, for a total cost in 1996-97 of \$77.6 million; another 650 are leases where premises are rented to other levels of government or government-sponsored organizations. Occasionally, surplus property is rented to commercial tenants.

The **Land Acquisition Branch** negotiates the purchase of lands for most program departments except Transportation and Utilities and the Edmonton and Calgary Restricted Development Areas. The branch also administers the sale of surplus properties.

Two other groups provide central support to the major business functions within Property Management. The **Maintenance and Energy Support Group** works with

facility managers to develop preventive maintenance schedules, to coordinate facility maintenance planning and energy management.

The Business Information Systems Branch provides financial and budgeting management and business information systems requirements and oversees records management for Property Management.

INFORMATION TECHNOLOGY AND SUPPLY

Information Technology and Supply provides government-wide leadership in managing and using information technology and telecommunications. It also acts as the central procurement and surplus disposal agency for the government.

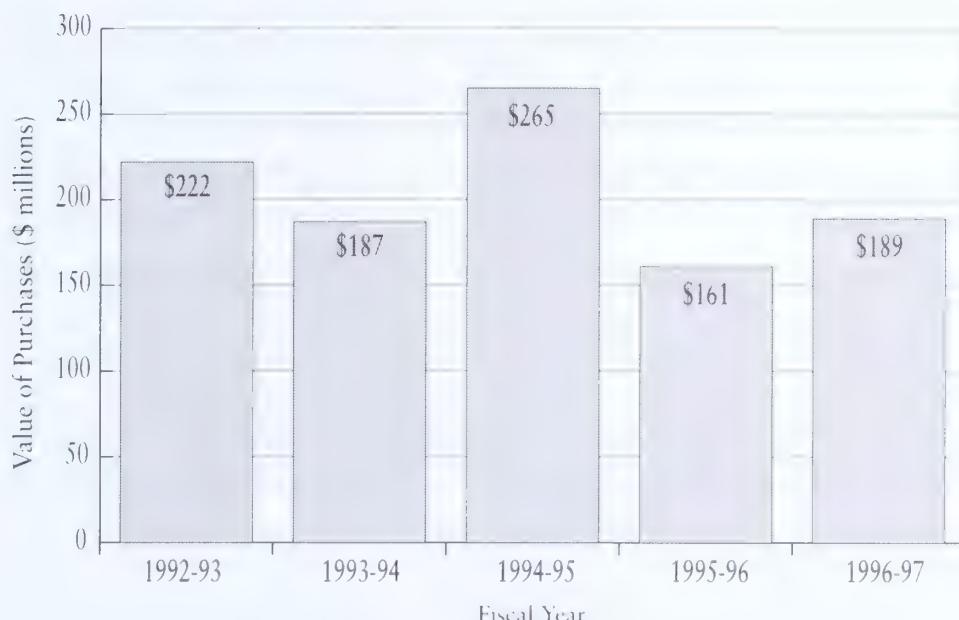
Information Technology and Supply has five business units:

The **Telecommunications Division** plans, implements and manages shared telecommunications networks which serve the voice, data, video and mobile radio communication needs of government. It also provides consultation and project management services. Most services are provided through contractual arrangements with the private sector. Significant economies of scale and savings of tax dollars are achieved by aggregating government needs, sharing province-wide networks, and through negotiated bulk contracts and standing offers for a variety of telecommunications services, such as long distance, local telephone, equipment and cellular services.

The **Supply Division** helps departments, boards and agencies acquire goods and provides vendors with an equitable means of competing for the government's business by:

- establishing standing offer agreements that allow departments and agencies to order goods directly from vendors
- issuing invitations to tender and purchase orders in response to requisitions from customer departments
- developing Requests for Proposals and awarding contracts, primarily for the development of information technology systems and major outsourcing initiatives.

Total Purchases by PWSS' Procurement Services



The division's Supplier Development and Technical Services Branch coordinates and administers, on behalf of Alberta, the Procurement Chapter of the Agreement on Internal Trade. This includes overall responsibility for ensuring that Alberta suppliers and government procuring entities have use of an efficient and economical electronic tendering system. The branch also represents PWSS in matters related to government procurement in national and international trade agreements.

The Central Delivery and Courier Service provides government ministries with a cost-effective and expedient means of transporting interdepartmental correspondence and small parcels. Ninety-six centres where government offices are located are served by this group.

The Supply Division coordinates, through Surplus Sales operations in Edmonton and Calgary, the re-use and disposal of government surplus goods. In 1996-97, \$5.5 million worth of goods were sold, primarily through contracted auctioneers, enabling the government to recover the maximum value for these goods.

The **Information Technology Division** provides strategic planning and coordination of information technology and information management services to meet the individual and common requirements of government ministries. This includes managing and providing information technology facilities and expertise. In 1996-97, facilities included two data centres in Edmonton and one in Calgary. The cost of these services is charged to and recovered from government programs through the PWSS Revolving Fund. The division also provides economical and safe storage and timely disposal of government records.

Records and Information Management administers the government's records management legislation and the Alberta Records Management Committee. This area develops the policies, procedures and training for handling records throughout the provincial government. Up to March 31, 1997, the branch was also responsible for administering the Freedom of Information and Protection of Privacy Legislation. This responsibility was moved to Alberta Labour in April 1997, while the records and information management function remained with the department.

Air Transportation Services provides air travel services on government-owned and private chartered aircraft for government departments, boards and agencies. The priorities for use of government aircraft are situations involving threat to human life, environmental disasters, and required travel by Executive Council and departments. The branch provided air travel services to more than 100 airports throughout Alberta, including many that are not served by scheduled airlines.

Business Information Services

Information Technology and Supply is supported by Business Information Services, which coordinates financial business planning and information management functions and provides administration services to the business units.

RESOURCE GROUPS

PWSS' core business units are supported by three resource groups: Finance, Human Resources and Communications.

Finance

Finance provides the ministry with financial planning, budgeting, accounting and revenue services, as well as financial systems support services.

Throughout the 1996-97 fiscal year, Finance played a key role in preparing for implementation of the new Alberta Government Integrated Management Information System (IMAGIS) at both the cross-government and ministry levels. Finance has dedicated resources to the cross-government IMAGIS Project Team and is leading the Ministry's Re-engineering Initiatives and Systems Enterprise (RISE) team, which will oversee the implementation of the new financial and human resource system in the ministry.

Late in the fiscal year, Finance assumed responsibility for a number of additional activities. Finance is now responsible for ministry business planning and performance measurement. Finance also administers Freedom of Information and Protection of Privacy (FOIP) legislation and the records management program within the department, coordinates the regulatory reform review and provides central corporate services. The Executive Director of Finance serves as the Ministry's Chief Information Officer (CIO), liaising with the province's CIO.

Human Resources

Human Resources provides consulting services to the department regarding staffing, employee relations and staff development. It also consults and lends expertise in the areas of organizational analysis and restructuring, occupational health and safety, human resources information systems, payroll and benefit administration, and department support services such as parking, security and staff directories.

As part of the department's continuing focus on providing the resources necessary for employees to become competent in using all aspects of computer technology, Human Resources provides a software training facility and offers a full range of computer-based self-study courses to all employees.

In cooperation with the Personnel Administration Office and the Alberta Union of Public Employees, a 10-month pilot project was undertaken to provide rehabilitative support and recovery services for department employees on general or long-term disability illness leave. The project's purpose was to determine if employees, when supported and provided with assistance during a period of medical absence, would be able to either return to temporary modified work or normal duties earlier than first expected. Due to its success, this project is now being recommended for implementation across government.

Communications

Communications provides timely and strategic communications planning, issues management and analysis, and other communications consulting services and expertise to help the department achieve its goals. Communications is responsible for media relations, and the development and implementation of internal and external communications, including *The Works* and *The Source* newsletters. The branch also coordinates public consultations and cross-government communications activities. Other responsibilities include operating the department's information line, maintaining the PWSS home page on the Internet, and coordinating PWSS library services with the Neil Crawford Provincial Centre Library, operated by the Department of Agriculture, Food and Rural Development.

ANALYSIS OF KEY ACTIVITIES IN THE PAST YEAR

PWSS set out seven goals for the department to work toward in its three-year business plan for 1996-97 to 1998-99. The achievements of the ministry's three core business units in the past year are reported here in relation to the specific goals they support.

GOALS AND ACHIEVEMENTS

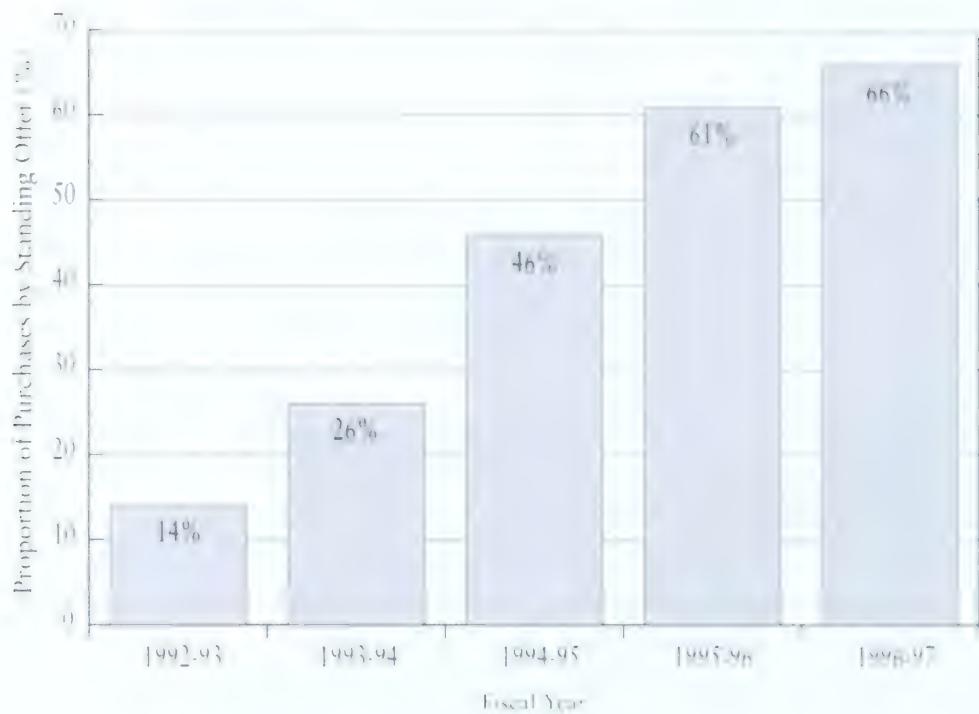
Goal 1: A responsive, efficient organization

Achievements:

- Continued re-engineering of the process for budgeting, prioritizing and delivering capital projects. Input was received from staff and industry stakeholders to assist staff in the effective and efficient delivery of capital projects.
- The Accommodation Services Advisory Council, a group of senior officials from each ministry, provided a forum for PWSS to communicate its initiative to transfer responsibility to clients for accommodation costing, furniture, telecommunications and small tenant improvements. This allowed the department to explore the implications of these changes and modify proposals to address issues and concerns raised by client departments.
- Continued to work closely with departments and the Chief Information Officer on the Year 2000 project. This project will ensure that government computer systems, with particular emphasis on those critical to key government programs, can accommodate dates beyond December 31, 1999. The cross-government Year 2000 team is making departments aware of the issue, monitoring progress toward Year 2000 system compliance, and developing services to assist with the transition. The team is identifying appropriate hardware, software and documentation resources so that computer systems can be tested and certified for conformance to Year 2000 standards.

- Established a government-wide license for database software which standardizes the deployment of financial and human resources systems so that data is stored, accessed, managed and secured in a consistent manner across government departments. The license agreement will save government departments \$6.7 million over the next five years for software licensing. It will also ensure comprehensive vendor-provided technical support to government departments, and reduce government-wide contract administration for the software developer's products.
- Completed or initiated significant capacity upgrades to the government's shared data network at 47 locations across the province. This was done to prepare for implementation of the government's IMAGIS system and to respond to government departments' other electronic communication needs.
- Established internal software standards for desktop micro computers. These standards are the cornerstone of the department's office automation strategy. A common word processing, spreadsheet, E-mail and desktop operating system are now in use throughout the department. This standardization has already shown efficiencies in staff training, compatibility and client problem support and has improved the transmittal and use of electronic documents.
- Worked closely with the Public Affairs Bureau and the private sector to introduce Real Number Dialing on the shared government voice network. This feature uses current technology to reduce overall long distance costs to the provincial government and makes the network easier to use by eliminating an access code prior to dialing.
- Continued to promote the use of standing offer agreements for the procurement of commonly used goods, such as computer hardware and software. With standing offers in place, departments can order goods directly from vendors, saving the time and cost of having individual tenders handled by the acquisitions area. In 1996-97, standing offer purchases represented 66 per cent of all tendered purchases by the Alberta government, compared to 14 per cent in 1992-93.

Standing Offer Purchases as a Proportion of all Tendered Purchases



Goal 2: New partnerships in the delivery of services

Achievements:

- Facilitated greater accommodation sharing arrangements between departments, other levels of government and government-related organizations. Federal and provincial staff examined opportunities for more efficient use of federal and provincial space through joint use. Initiatives in the past year included:
 - co-located Agriculture Canada and Agri-Food Canada with Alberta Agriculture, Food and Rural Development in the J. G. O'Donoghue Building.
 - planning to accommodate the joint labour market development program initiative between the governments of Canada and Alberta at numerous sites throughout the province. This initiative includes the installation of job kiosks in the foyers of several provincial buildings throughout the province, which will enable Albertans to check job listings electronically.
 - leasing surplus space to federal government programs in Grande Prairie, Vermilion and Edmonton.
 - leasing surplus space in some government facilities to school divisions in several locations, including Edson and High Level.
- In 1995-96, PWSS began transferring responsibility for costs of operating and maintaining selected highway maintenance facilities to Transportation and

Utilities contractors. In 1996-97 lease contracts were executed for 96 sites. PWSS retains responsibility for the structural integrity of these facilities and the remaining highway maintenance yards.

- Chaired and represented Alberta on a national working group on electronic tendering. The group selected Cebra Inc. (a wholly-owned subsidiary of the Bank of Montreal) to provide the next generation of electronic tendering to succeed the Open Bidding Service. PWSS oversaw the contracting issues and will facilitate the transition to the new system, which will be operational in the fall of 1997.

Goal 3: Facilities developed and services delivered within a balance of appropriate standards, quality, quantity and cost

Achievements:

- Introduced, in consultation with Alberta Health, a policy to communicate government requirements for the sale of property owned by the RHAs. The policy provides incentives to the RHAs to dispose of property while, at the same time, protecting the public investment in these lands and buildings and ensuring that Albertans continue to have reasonable access to health services.
- Over an 18-month period, planned and implemented capital projects valued at approximately \$100 million in Calgary for the Foothills, Peter Lougheed and Rockyview Hospitals, in response to the health authority's need to consolidate programs and achieve significant operating efficiencies.
- Consistent with the government's plan to conserve scarce water resources, build a strong and sustainable rural economy, and develop a climate in which businesses can create wealth and jobs for Albertans, work continued on two major water management projects:
 - To address the water quality and supply problems in southern Alberta, PWSS continued to plan the proposed Little Bow Project. Applications for approval were filed with the Natural Resources Conservation Board and the federal Department of Fisheries and Oceans. A joint federal/provincial review process is expected to take place in 1997.
 - Construction began on the three-year, \$42 million Pine Coulee water management project near Stavely. Not only will this project provide a long-term solution to the area's water supply problems, it will also provide economic benefits to the area.
- PWSS is also responsible for all major provincial water infrastructure rehabilitation projects. Two projects were undertaken to ensure the continued safe and reliable operation of Waterton-St. Mary Headworks System and the Carseland-Bow Headworks System respectively:

- Construction began on the \$47 million St. Mary Dam Spillway Replacement project near Cardston. The existing spillway, constructed in the 1950s, has deteriorated and needs to be replaced to ensure the continued safe and reliable operation of the dam and reservoir.
- The preliminary design was completed for the replacement of the East Arrowwood Syphon on the Carseland-Bow River Headworks System. This \$8 million replacement project will ensure that the headworks system continues to operate safely and efficiently.
- Worked closely with Municipal Affairs and other departments in the upgrading and reconditioning, rather than replacement, of structurally sound properties and equipment. These projects, which include seniors' lodges as well as other government buildings, will ensure the safety and comfort of residents and users, and at the same time achieve significant cost savings.
- Achieved more than \$200,000 in net annual savings to government by converting older network connections to connections that use the government's shared data network. PWSS also worked with other departments to find ways to reduce other network access costs.
- Continued several pilot projects with school divisions and regional health authorities involving the use of the government's shared data network to confirm technical feasibility and financial benefits.
- Completed the outsourcing of computing services by Family and Social Services and Transportation and Utilities.

Goal 4: An environmentally sensitive organization

Achievements:

- Completed the environmental impact assessment for the Little Bow Project and began implementation of the environmental mitigation program for the Pine Coulee Project.
- Continued the phased implementation of a strategy to decrease chlorofluorocarbon (CFC) use in health facilities.
- Completed fuel tank projects planned for the year as part of a five-year program started in 1995 for removal or replacement of fuel tanks at government-owned sites.
- Implemented energy conservation programs by encouraging designs that are life-cycle cost based.
- Made progress on PWSS' program of auditing energy use in owned facilities. This program is a major part of Alberta's commitment to the Action Plan for Canada's Climate Change. Buildings are selected for energy audits to identify cost-effective means of reducing energy costs and, where feasible, to complete energy-efficient projects.

- Implemented an energy performance contract for a group of nine buildings in Lethbridge which will result in estimated annual cost savings of \$167,000. Energy performance contracting is a way of performing an energy retrofit through third party development and financing. The contractor provides a detailed audit in a proposal to design, build, finance and guarantee performance for a fixed pay-back period. Once the contractor's investment is repaid from savings in monthly utility costs, PWSS realizes the full energy and operating savings.

Goal 5: Improved program department accountability and responsibility for PWSS services consumed

Achievements:

- Transferred funding for replacement furnishings, local telephone services and small tenant improvement projects under \$5,000 to departments to improve service delivery and accountability. Departments are now able to deal directly with the service provider for these types of projects.

Goal 6: Cost-effective, innovative approaches to increase the utilization of owned and leased assets

Achievements:

- Reduced government leased space by approximately 30,000 rentable square metres in 1996-97. This was achieved by consolidating both leased and owned space, terminating leases and disposing of surplus property.
- Limited new construction of government facilities by maximizing the use of existing properties. Seventy-one new projects were implemented to consolidate government operations in owned and existing leased facilities.
- Reduced government-owned space inventory by converting the Jubilee Centre (Fort McMurray Provincial Building) into an office condominium. The seven-storey east tower, comprising 102,235 square feet, was sold to the Regional Municipality of Wood Buffalo.
- Transferred the Alberta Opportunity Corps Building in High Level to Fairview College for program use with the agreement that the college lease a portion of the space back for provincial department use. This allowed the government to dispose of a building and lease back only the area it requires. The college was able to secure a facility that met its needs without constructing a new building, freeing up funds for teaching.

Goal 7: Effective and efficient administration of assigned government initiatives fostering open, accountable and accessible government

Achievements:

- Continued to improve the government's records and information management program. The Alberta Records Management Committee received plans from most ministries for the development of comprehensive records retention and disposal schedules by the year 2000. These new schedules will better serve the government's operational needs, protect the security and confidentiality of records, reduce records management costs and protect records of enduring value.
- Expanded the functions of the government's centralized Internet service. Now it is possible for government departments to allow Internet users direct access to information. Other Internet services added by PWSS include search engines that allow users to more easily find the information they seek on government web sites; software that allows electronic "discussion" of various issues on government websites; and security services that safeguard Internet transactions and information flow.



REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDIT PROCEDURES TO PERFORMANCE MEASURES

To the Minister of Public Works, Supply and Services:

I have performed the following procedures in connection with the Ministry of Public Works, Supply and Services's set of measures included in the *1996-97 Annual Report of the Ministry of Public Works, Supply and Services* as presented on pages 25 to 29.

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations which converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit of the set of measures and therefore I express no opinion on the set of measures included in the *1996-97 Annual Report of the Ministry of Public Works, Supply and Services*.

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
August 21, 1997

RESULTS ANALYSIS

PERFORMANCE MEASURES

PWSS strives to maximize customer satisfaction by providing quality facilities and services. To focus our efforts as we carry out our daily activities, the department has identified a number of common goals across each of our core business units and resource groups. Through the use of customer surveys, we evaluate our accomplishments and identify areas for improvement. We have developed several key performance measures to evaluate our efforts in achieving these goals. We are continuing to develop performance measures in an effort to identify a comprehensive set of measures which will enable us to better assess our performance.

Key Measures

The rating scale used by customers in all of our surveys are from 1 to 5, with 5 being very satisfied.

Measurement 1

<i>Customer Satisfaction with</i>	<i>1995-96 Actual</i>	<i>1996-97 Target</i>	<i>1996-97 Actual</i>
<i>Project Delivery Services</i>	3.6	3.9	4.1

Source: PWSS, Customer Satisfaction Survey

The Measure

This measure indicates satisfaction with project delivery services among client departments, boards, agencies and other stakeholders for projects including tenant improvements and capital projects.

Methodology

Customers are randomly selected to complete satisfaction surveys and evaluate performance throughout the year. The surveys cover up to 15 percent of the capital

projects completed during the year and provide feedback on the project as well as each Project Manager and Planner. Each survey asks specific questions related to project management and scheduling, professional and technical services, and communication and responsiveness. Customers are also asked to make suggestions that would improve performance.

Relationship to Business Plan goals

Actual performance for 1996-97 has exceeded the established target due to improved communication with client departments and the streamlining of our business approach to project delivery. This level of satisfaction is consistent with our ongoing efforts to be a more responsive, efficient organization while delivering services with a balanced consideration of appropriate standards, quality, quantity, and cost.

Measurement 2

<i>Operating Cost per</i>	<i>1995-96 Actual</i>	<i>1996-97 Target</i>	<i>1996-97 Actual</i>
<i>Square Metre</i>	\$42.02	\$42.74	\$42.55
<i>Rentable</i>			

Source: PWSS, Building Management Information System (BMIS) and PWSS, Property Data System (PDS)

The Measure

This performance measure is defined as the average operating cost per square metre of owned space in the PWSS space inventory.

Methodology

Operating costs, which are maintained in BMIS, are comprised of 1996-97 actual expenditures for all property management costs, including insurance premiums, manpower costs related to program delivery, administrative costs, caretaking, energy (utilities), security and all other directly related property management costs. Rentable square metre data is based on information maintained in PDS. Operating Costs per Square Metre Rentable is calculated by dividing operating costs by rentable square metres. This provides a measure that is consistent with and directly comparable to industry.

Relationship to Business Plan goals

The 1996-97 performance measure exceeds our target and reflects the requirement that government departments be accommodated within a balance of appropriate standards, quantity and cost while maintaining existing infrastructure and protecting the value of assets.

Measurement 3

<i>Customer Satisfaction with Procurement Services</i>	<i>1995-96 Actual</i>	<i>1996-97 Target</i>	<i>1996-97 Actual</i>
	3.9	3.8	3.9

Source: PWSS, Customer Satisfaction Survey

The Measure

This performance measure provides an indication of client satisfaction with the services provided under the procurement function. Coordinated by the Supply Division, the procurement function helps departments and agencies obtain goods and services, and provides vendors with a fair opportunity to compete for government business.

Methodology

Customer satisfaction surveys are distributed quarterly to a random selection of 100 to 200 users of procurement services during the quarter. No user is surveyed more than once a year. The survey covers specific questions regarding products, vendor delivery, timeliness, professionalism, and the importance of these attributes to the customer. Survey participants are also asked to provide an overall assessment of services which is used to determine and report on our performance.

Relationship to Business Plan goals

This measure supports the department's goal to be a responsive, efficient organization. Combined efforts to achieve this goal have enabled us to exceed our established target for customer satisfaction with Procurement Services. Continued use of standing offer agreements and the Open Bidding Service (OBS) has ensured that incurred costs are kept in check while a balance between service quality and speed of delivery is maintained.

Measurement 4

<i>Efficiency of Procurement Services (cost per \$100 purchased)</i>	<i>1995-96 Actual</i>	<i>1996-97 Target</i>	<i>1996-97 Actual</i>
	\$1.62	\$1.53	\$1.18

Source: Departmental Financial System (DFS)

The Measure

This performance measure is defined as the operating costs for procurement services per \$100 of goods and services purchased. Lower values indicate improved efficiency, achievable by reducing operating costs in proportion to the value of purchases. The requirements of government departments directly affect this rating.

Methodology

Operating costs include actual expenditures for the Acquisitions and Supplier Development operations, as well as a portion of the Executive Director's Office and a portion of Division Support Services. Operating costs are divided by the value of all purchases made for client departments, including standing offers, Requests for Proposals and invitations to tender. Direct purchases by departments and purchases made through either the corporate procurement card or direct purchase orders are not included in the total value of goods and services purchased. This is an industry standard measure, although various procurement organizations may include different costs and transaction types.

Relationship to Business Plan goals

Consistent with the department's goal to be a responsive, efficient organization, PWSS is committed to delivering common procurement services at minimal cost while satisfying customer needs. This is demonstrated through our success in exceeding the established target for this measure. The better-than-expected operating cost per \$100 of goods and services purchased is primarily due to increased demand by ministries for information technology products available on standing offer. This resulted in the value of purchases being \$27 million higher than anticipated.

THE FUTURE

The measures used to assess customer satisfaction with our performance in 1996-97 provide a valuable indication of how well our department is using available resources to satisfy the needs of our clients. In each of the areas outlined above, our targets were exceeded. However, we constantly look for ways to improve upon the delivery of services while meeting our standards for quality, demonstrated need, and low cost. With each new planning cycle, adjustments in our targets are made and, where appropriate, additional performance measures added to reflect initiatives that have been designed to enhance the way we do business.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Responsibility for the integrity and objectivity of the consolidated financial statements of the Ministry of Public Works, Supply and Services rests with the Minister of Public Works, Supply and Services. The consolidated financial statements are prepared by the Senior Financial Officer under the general direction of the Deputy Minister. The consolidated financial statements are prepared in accordance with the government's stated accounting policies and, of necessity, include some amounts that are based on estimates and judgements. The consolidated financial statements and the financial statements of each entity for which the Minister is responsible, are included in this Annual Report pursuant to the Government Accountability Act. Financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

To fulfill its accounting and reporting responsibilities, the Ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks, and which are designed to provide reasonable assurance that transactions are properly authorized by the Legislative Assembly, are executed in accordance with prescribed regulations and, are properly recorded so as to maintain accountability of public money and safeguard the assets and properties of the Province of Alberta under Ministry administration.

Under the Financial Administration Act, deputy heads are responsible for the collection of revenue payable to the Crown, and for making and controlling disbursements with respect to their departments. They are also responsible for prescribing the accounting systems to be used in their departments. Additional information is obtained, as required, from provincial agencies, commercial enterprises, and Crown-controlled organizations to meet accounting and reporting requirements.

The Ministry of Public Works, Supply and Services includes the Department of Public Works, Supply and Services (PWSS), the PWSS Revolving Fund, the PWSS General Trust Fund and the Damage Deposit Trust Fund.

The Auditor General of Alberta provides an independent opinion on the financial statements included in this Annual Report.

Annually, the Annual Report is tabled in the Legislature.


Dan Baden

D. H. E. - Financial Officer


September 12, 1997
Dan


September 12, 1997
Dan

FINANCIAL INFORMATION

**MINISTRY OF PUBLIC WORKS,
SUPPLY AND SERVICES
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1997**

Auditor's Report

Consolidated Statement of Operations

Consolidated Statement of Changes in Financial Position

Consolidated Statement of Assets, Liabilities and Net Assets

Notes to the Consolidated Financial Statements

Schedule 1 – Consolidated Revenues

Schedule 2 – Consolidated Net Budgeted Initiatives

Schedule 3 – Consolidated Expenses Detailed by Object

Schedule 4 – Consolidated Purchases of Capital Assets by Type

Schedule 5 – Consolidated Operating Budget

Schedule 6 – Consolidated Operating Actuals

Schedule 7 – Intra-Ministry Transactions

AUDITOR'S REPORT

To the Minister of Public Works, Supply and Services

I have audited the consolidated statement of assets, liabilities and net assets of the Ministry of Public Works, Supply and Services (PWSS) as at March 31, 1997 and 1996 and the consolidated statements of operations and changes in financial position for the years then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Section 14 of the Government Accountability Act requires the preparation of consolidated financial statements for the Ministry of PWSS as at March 31, 1998. In preparing to meet this requirement, the accompanying financial statements have been prepared using the accounting policies and reporting practices that the government has established for ministries, as disclosed in Note 3. With certain exceptions that have caused me to provide a reservation of opinion, the basis of accounting is generally accepted accounting principles (GAAP). GAAP is the term used to describe the basis on which financial statements are normally prepared. Encompassing broad principles and conventions of general application, GAAP communicates information that is useful in making decisions and assessing performance. This objective is achieved by including all assets and liabilities, recognizing the effect of transactions and events in the period they occur and recording all costs of the Ministry's service delivery activities.

The following accounting policies are exceptions from generally accepted accounting principles:

Pension obligations

Obligations to pension plans for current and former employees of the Ministry of PWSS have not been recognized as a liability in the accompanying consolidated statement of assets, liabilities and net assets and consequently the annual change in the liability has not been recognized in the consolidated statement of operations. Determining the amount of the liability is dependent on taking a position, which I have not yet done, on how a share of any Provincial contribution to the elimination of the unfunded liability should be allocated to the Ministry of PWSS. However, in my view, a liability of approximately \$8.2 million due to pension plans at March 31, 1997, in the Ministry of PWSS's capacity as employer, and which is reflected in the financial statements of Treasury Department, should be recognized as a liability in these financial statements. The effect of this understatement of liabilities is to overstate expenses for the year ended March 31, 1997, by approximately \$3.5 million, which although not material in itself is material when aggregated with other over/understatements.

Employee entitlements and benefits

Accrued employee vacation entitlements and long-term disability benefits have not been recognized as a liability by the Ministry of PWSS and are not included in the accompanying consolidated statement of assets, liabilities and net assets. Consequently, the annual change in the liability has not been recognized in the consolidated statement of operations. In my view, an amount of approximately \$6.6 million, representing accrued entitlements and benefits at March 31, 1997, and which is reflected in the financial statements of Treasury Department, should be recognized in these consolidated financial statements. The effect of this understatement of liabilities is to overstate expenses for the year ended March 31, 1997, by approximately \$1.0 million, which although not material in itself is material when aggregated with other over/understatements.

Capitalization of assets

Certain capital assets costing less than \$15,000 in the Department and less than \$10,000 in the Revolving fund are expensed in the year acquired and have not been recognized as an asset in the accompanying consolidated statement of assets, liabilities and net assets. Consequently, the annual amortization of these assets has not been recognized in the consolidated statement of operations. In my view, an amount of approximately \$8.8 million, representing the net book value of these assets as at March 31, 1997, should be recognized in these consolidated financial statements. The net effect of this understatement of assets is to overstate expenses for the year ended March 31, 1997, by approximately \$795,000, which although not material in itself is material when aggregated with other over/understatements.

Site restoration costs

Known costs associated with the future removal and site restoration of underground fuel tanks are recognized in the period in which the restoration work is performed and have not been recognized as a liability in the accompanying consolidated statement of assets, liabilities and net assets. Consequently, the annual amortization of these costs has not been recognized in the



consolidated statement of operations. In my view, a liability of approximately \$4.1 million, representing future environmental costs as at March 31, 1997, and an asset of approximately \$2.2 million, representing the expected future economic benefits to be realized from these expenditures as at March 31, 1997, should be recognized in these consolidated financial statements. The effect of this understatement of liabilities and assets is to overstate expenses for the year ended March 31, 1997 by approximately \$430,000, which although not material in itself is material when aggregated with other over/understatements.

Tenant improvements

The costs of tenant improvements in accommodation space owned by the Ministry are expensed in the year the improvement is constructed and have not been recognized as an asset in the accompanying consolidated statement of assets, liabilities and net assets. Consequently, the annual amortization of these assets has not been recognized in the consolidated statement of operations. The full effect of this understatement of assets is not determinable at this time. However, in my view, a minimum amount of approximately \$2.4 million, representing the net book value of tenant improvements constructed in the year, should be recognized in these consolidated financial statements. The effect of this understatement of assets is to overstate expenses for the year ended March 31, 1997, by approximately \$1.9 million, which although not material in itself is material when aggregated with other over/understatements.

Asset valuation

An agreement for the capital lease of the Pine Ridge Nursery became effective as of July 17, 1997. This is an event occurring after the financial statement date providing further evidence of impairment of the value of this asset at March 31, 1997. However, the accompanying consolidated financial statements have not been adjusted to appropriately reflect the net recoverable value of this asset under the lease. In my view, a write-down of the net book value of buildings as at March 31, 1997 of approximately \$12.6 million should be recognized in these consolidated financial statements. The effect of this overstatement of assets is to underestimate expenses for the year ended March 31, 1997, by approximately \$12.6 million.

Included and excluded direct costs

Certain accommodation and telecommunication costs incurred in the operation of other departments have been included in the expenses of the Ministry. Certain other administration costs incurred in the operation of the Ministry have not been included in expenses. These costs are recorded by the departments that paid the expenses on behalf of the Ministry of PWSS.



In my opinion, except for the effects of the matters discussed in the preceding section, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Peter Valentine

FCA

Auditor General

Edmonton, Alberta

June 13, 1997, except as to Note 13 which is as of July 31, 1997



MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1997
(IN THOUSANDS)

	1997	1996
	Budget	Actual
Note 11		
Revenues (Schedules 1 and 2):		
Service revenue	\$ 28,055	\$ 22,851
Contribution to IMAGIS	—	1,629
Sales	3,700	3,232
Fees, permits and licences	2,700	2,402
Other revenues	15,805	28,888
	<u>50,260</u>	<u>59,002</u>
Net contribution from general revenues	<u>434,335</u>	<u>399,407</u>
	<u>484,595</u>	<u>458,409</u>
	<u>538,839</u>	<u>538,839</u>
Expenses (Schedules 2 and 3):		
Departmental support services	8,385	7,764
Information technology and supply	68,625	62,844
Management of properties	186,778	179,764
Planning and implementation of construction projects	<u>205,610</u>	<u>199,538</u>
	<u>469,395</u>	<u>449,910</u>
	<u>483,031</u>	<u>483,031</u>
Other:		
(Loss) gain on disposal of capital assets	(5,000)	173
Write down of capital assets	(1,000)	(4,034)
Gain on disposal of inventories held for resale	—	5,265
Write down of inventories held for resale	(9,000)	(10,658)
	<u>(15,000)</u>	<u>(8,554)</u>
Excess (deficiency) of revenues over expenses	200	(83)
	<u>2,693</u>	<u>2,693</u>

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
 CONSOLIDATED STATEMENT OF
 CHANGES IN FINANCIAL POSITION
 FOR THE YEAR ENDED MARCH 31, 1997
 (IN THOUSANDS)

	1997		1996
	Budget	Actual	Actual
(Note 11)			
Operating transactions:			
Excess (deficiency) of revenues over expenses	\$ 200	\$ (55)	\$ 2,693
Non-cash item included in revenues and expenses			
Amortization of capital assets	63,215	55,668	59,654
Amortization of deferred capital contributions	(605)	(604)	(604)
Loss (gain) on disposal of capital assets	5,000	(173)	(5,818)
Write down of capital assets	1,000	4,034	32,402
Write offs of capital assets		157	-
Gain on disposal of inventories held for resale	-	(5,965)	(3,838)
Write down of inventories held for resale	9,000	10,658	30,369
	<u>77,810</u>	<u>63,720</u>	<u>114,858</u>
Increase in accounts receivable	-	(5,218)	(4,504)
Increase in loans and advances	-	(4,958)	(220)
Decrease in inventories	-	131	48
Increase in prepaid expenses	-	(122)	(88)
(Decrease) increase in accounts payable and accrued liabilities		(2,440)	43,169
Increase in amount due to Treasury	-	650	220
(Decrease) increase in unearned revenue	-	(3,081)	3,014
	<u>77,810</u>	<u>48,682</u>	<u>156,497</u>
Investing transactions:			
Purchases of capital assets (Schedule 4)	(53,965)	(32,614)	(51,169)
Proceeds on sale of capital assets	22,500	1,550	6,085
Proceeds on sale of inventories held for resale		22,793	19,828
Capital assets transferred to other departments	-	6,207	-
Capital assets transferred from other departments		(91)	-
Capital assets on hand	-	-	(1,974,241)
	<u>(31,465)</u>	<u>(2,155)</u>	<u>(1,999,497)</u>
Net cash provided (used)	46,345	46,527	(1,843,00)
Due to general revenues and cash, beginning of year	-	(1,873,334)	(30,334)
Due from (to) general revenues and cash, end of year	<u>\$ 46,345</u>	<u>\$ (1,826,807)</u>	<u>\$ (1,873,334)</u>
Due to general revenues and cash represented by:			
Due to general revenues		(1,826,807)	(1,873,334)
Cash		-	-
	<u><u>\$ (1,826,807)</u></u>	<u><u>\$ (1,873,334)</u></u>	

The accompanying notes and schedules are part of these financial statements.

**MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
CONSOLIDATED STATEMENT OF ASSETS,
LIABILITIES AND NET ASSETS
AS AT MARCH 31, 1997
(IN THOUSANDS)**

	1997	1996
Assets		
Accounts receivable (Note 4)	\$ 15,906	\$ 10,688
Loans and advances (Note 5)	5,178	220
Inventories, at cost	268	399
Prepaid expenses	1,141	1,019
Inventories held for resale	50,781	70,211
Capital assets (Note 6)	1,811,510	1,884,304
	\$1,884,784	\$1,936,841
Liabilities		
Accounts payable and accrued liabilities	\$ 41,429	\$ 43,869
Due to Treasury (Note 7)	870	220
Unearned revenue	180	3,264
Deferred capital contributions (Note 8)	8,792	9,396
Due to general revenues	1,826,807	1,873,334
	\$ 1,878,078	\$ 1,930,080
Net Assets		
Net assets at beginning of year	\$ 6,761	\$ 4,068
(Deficiency) excess of revenues over expenses	(55)	2,693
Net assets at end of year	\$ 6,706	\$ 6,761

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1997
(IN THOUSANDS)

Note 1 Authority

The Ministry of Public Works, Supply and Services has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Public Works, Supply and Services.

Organization	Authority
The Department of Public Works, Supply and Services	Government Organization Act
Public Works, Supply and Services Revolving Fund	Financial Administration Act

Note 2 Purpose

The Ministry is responsible for providing common services to support government program delivery. The Ministry provides capital infrastructure, accommodation, air transportation, information technology and procurement services.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with the following accounting policies:

(a) Reporting Entity

The reporting entity is the Department of Public Works, Supply and Services, and the Public Works, Supply and Services Revolving Fund for which the Minister of Public Works, Supply and Services is accountable. All intra-ministry transactions have been eliminated in the preparation of these financial statements.

All departments of the Government of Alberta operate within the General Revenue Fund (the "Fund"). The Fund is administered by the Provincial Treasurer. All revenues collected by the departments are deposited into the Fund and all disbursements made by the departments are paid from the Fund. The results of all departments' operations and their financial positions are consolidated and presented in the financial statements of the Fund.

(b) Basis of Financial Reporting

Revenues

Revenues are reported using the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Capital grants and transfers of capital assets are deferred and recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Net Budgeting and Dedicated Revenue

Net budgeting provides an alternative basis for authorizing spending. Each net budgeted initiative must be approved by Treasury Board. Net budgeted revenue is termed "dedicated revenue." For programs providing services where the level of expense and revenue is related to the program's volume of activity, the annual budget is based on the estimated net amount of expense for the program. If demand for the program grows and provides increased revenue, the Department has the flexibility to respond with no increase in net cost to the government. If demand for the program diminishes and revenues decline, the Department must reduce expenses accordingly.

Net Contribution from General Revenues

Net contribution from general revenues represents the funds provided from general revenues to the Department which, together with the revenues reported by the Department, fully fund the Department's expenses and gain/loss on disposal of capital assets.

Expenses

Expenses represent the costs of resources consumed during the year on the Ministry's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service relating to prior years.

Certain expenses, primarily for legal advice and banking services incurred on behalf of the Ministry by other Ministries, are not reflected in these statements.

Certain expenses, primarily for office space, and telecommunication services incurred on behalf of other Ministries are reflected in these statements.

Valuation Adjustments

Valuation adjustments are reported in the financial statements of the Treasury Department on behalf of the Ministry.

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees, indemnities, and deficits of provincial agencies within the Ministry.

Assets

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals. The fair value of the financial assets are estimated to approximate their book values.

Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. With the exception of the Department, donated capital assets are recorded at their fair market value at the time of receipt. Capital assets donated to the department are recorded at nil cost. These policies were implemented April 1, 1995. The historical costs and accumulated amortization of the Department capital assets on hand and available for use at that date were capitalized.

Capital assets of the Ministry include work in progress for buildings, dams and water management structures and other capital assets. These costs are capitalized but not amortized until the asset is in service.

Capital assets no longer required are transferred to inventories held for resale and are valued at the lower of amortized cost and net realizable value.

Liabilities

Liabilities include all financial claims payable by the Ministry at fiscal year end, except accrued vacation pay, long-term disability benefits and certain pension benefits. Similar accruals have not been made for the Department and the Revolving Fund as these amounts are reflected in the financial statements of Treasury Department on their behalf.

Due to general revenues is the difference at fiscal year end between the value of assets held by the Ministry and its liabilities. It also includes the accumulated net cash flows relating to the Ministry's activities.

Statement of Changes in Financial Position

To prepare for implementation of the Government Accountability Act, the Province of Alberta started gathering financial information as at April 1, 1995 to be used for the March 31, 1996 financial statements. With the exception of capital assets, the statement of changes in financial position has been prepared on the assumption that assets, liabilities, and due to/from general revenues were acquired or incurred during the year ended March 31, 1996. Capital assets have been reported in the statement of changes in financial position as the amount on hand April 1, 1995 and transactions incurred in the year.

As the Revolving Fund has prepared financial statements prior to April 1, 1995, the statement of changes in financial position reflects the change in the assets, liabilities and net assets/liabilities during the year.

Basis of Consolidation

The accounts of the Department and Revolving Fund are consolidated. Revenue and expenditure transactions, investing and financing transactions, and related asset and liability accounts between consolidated entities have been eliminated.

Note 4 Accounts Receivable

	1997		1996	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	\$ 13,993	\$ 555	\$ 13,438	\$ 8,830
Refunds from suppliers	2,468	—	2,468	1,858
	<u>\$ 16,461</u>	<u>\$ 555</u>	<u>\$ 15,906</u>	<u>\$ 10,688</u>

Accounts receivables are unsecured, and non-interest bearing.

Note 5 Loans and Advances

	1997		1996	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accountable advances	\$ 870	\$ —	\$ 870	\$ 220
Mortgage receivable	4,308	—	4,308	—
	<u>\$ 5,178</u>	<u>\$ —</u>	<u>\$ 5,178</u>	<u>\$ 220</u>

Public Works, Supply and Services has used funds advanced by Treasury to establish petty cash funds, provide travel advances and set up damage deposits for foreign leases.

A mortgage receivable was extended to the Municipality of Wood Buffalo as consideration for their purchase of a building from PWSS. The mortgage is repayable in equal installments of \$375 over the next two years, with the final balance of \$3,558 to be paid on January 1, 2000. The effective interest rate included in the payments is 6 1/4% per annum.

Note 6 Capital Assets

	1997			1996
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value
General capital assets:				
Land	Indefinite	\$ 547,587	\$ 547,587	\$ 551,481
Buildings ⁽¹⁾	40 years	1,811,686	642,722	1,219,576
Aircraft	24 years	36,081	11,086	24,995
Equipment	10 years	26,916	13,664	13,252
Computer hardware and software ⁽¹⁾	3-10 years	68,267	50,754	14,029
Other ⁽²⁾	3-40 years	57,952	42,137	13,298
		<u>2,548,489</u>	<u>760,363</u>	<u>1,840,013</u>
Infrastructure assets:				
Land improvements	40 years	221	158	63
Dams and water management structures ⁽¹⁾	100 years	23,321	-	23,321
		<u>23,542</u>	<u>158</u>	<u>23,384</u>
		<u>\$ 2,572,031</u>	<u>\$ 760,521</u>	<u>\$ 1,811,510</u>
				<u>\$1,854,304</u>

⁽¹⁾ Included in the cost and net book value of buildings, computer hardware and software, dams and water management structures and other assets is work in progress amounting to \$90,738 (1996 \$69,201).

⁽²⁾ Includes trailers and leasehold improvements

Land and buildings in the amount of \$8,056 (1996 \$3,653) were transferred to inventories held for resale.

Note 7 Due to Treasury

Treasury Department has advanced funds to the Ministry which are being used to fund various petty cash accounts and travel advances. These funds are provided at zero interest, and will be fully repaid when they are no longer required.

Note 8 Deferred Capital Contributions

In 1995, two CL215 water bomber aircraft were acquired from the Government of Canada for \$1.00 each. The fair value of these aircraft has been capitalized with an offset recorded as deferred capital contributions.

Note 9 Commitments

(a) Operating Leases

The Department leases space under operating leases which expire on various dates to 2015. The aggregate amounts payable for the unexpired terms of these leases are as follows:

1998	\$ 68,210
1999	53,608
2000	45,275
2001	38,085
2002	29,185
Thereafter	<u>119,285</u>
	<u><u>\$ 353,615</u></u>

(b) Capital Projects

Under the terms of a grant program, the Department is committed to fund the construction and upgrade of various facilities belonging to Regional Health Authorities in the Province over the next 4 years. The total cost of ongoing projects and the cost to complete approved phases of these projects are as follows:

Total project costs	\$ 685,280
Costs relating to phases not yet approved	<u>(261,172)</u>
Total committed	424,108
Total expended to March 31, 1997	<u>414,463</u>
Remaining commitment as at March 31, 1997	<u><u>\$ 9,645</u></u>

(c) Other Commitments

As at March 31, 1997, the Department is committed to contracts to purchase equipment, supplies and services totaling \$40,080.

Note 10 Contingencies

At March 31, 1997, the Department was named as defendant in various legal actions. The total claimed in these legal actions amounts to approximately \$444,561 (1996 \$440,552). The resulting loss, if any, from these claims cannot be determined.

The Ministry also has a contingent liability with respect of future site restoration costs associated with certain highway maintenance yards and other properties. The Ministry is currently assessing the nature and extent of environmental risks to

determine the best cause of action. The timing and amounts of these costs are not reasonably estimable at March 31, 1997.

Note 11 Budget

The budget figures were derived from the Government Estimates approved on April 1, 1996.

Spending budgets were authorized by Appropriation Acts passed for the 1996-97 fiscal year and by Treasury Board pursuant to Section 29(1.1) of the Financial Administration Act.

Note 12 Related Party Transactions

Accommodation expenses of \$239,284 (1996 \$235,512) and telecommunication expenses of \$22,164 (1996 \$34,973) were incurred by the Ministry on behalf of other government organizations. Legal, personnel, and certain financial costs were provided to the Ministry by other government organizations at no cost.

The Ministry paid Payment Systems Corporation (PSC), a joint venture partially owned by the Province of Alberta, \$923 (1996 \$510) for computer processing. Receivables from related parties outstanding at year end were \$64 (1996 \$40).

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licences and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Capital assets owned by the Ministry were transferred to the Department of Environmental Protection at net book value. Capital assets were also transferred to the Ministry from the Department of Agriculture and the Department of Health. Due to general revenues was decreased by the net book value of the transfers. The amounts transferred to (from) these entities comprise:

Land	\$ 1,678
Buildings	1,672
Water projects	2,857
Buildings/trailers	(82)
Equipment	(9)

Note 13 Subsequent Events

On July 17, 1997, PWSS entered into a long term lease of the Pine Ridge Forest Nursery to a third party. The March 31, 1997 net book value of the Nursery is \$16,869. The estimated value of the leased asset is \$4,300. The impact of this transaction will be recognized in the 1998 financial statements of PWSS.

Note 14 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
CONSOLIDATED SCHEDULE OF REVENUES
FOR THE YEAR ENDED MARCH 31, 1997
IN THOUSANDS

	1997	1996
	Budget	Actual
	(Note 11)	Actual
Service Revenue:		
Data processing services	\$ 24,190	\$ 19,724
Aircraft services	3,865	3,089
Telecommunications services	—	38
	<u>28,055</u>	<u>22,851</u>
Contribution to IMAGIS	—	1,629
	<u>—</u>	<u>—</u>
Sales		
Postage	3,700	3,230
Software	—	2
	<u>3,700</u>	<u>3,232</u>
Fees, Permits, and Licences:		
Civil service parking	2,700	2,402
Freedom of Information and Protection of Privacy	—	4
	<u>2,700</u>	<u>2,402</u>
	<u>2,700</u>	<u>2,673</u>
Other revenue:		
Investment income ¹	1,050	2,487
Refunds of expenditures:		
Previous years' refunds	1,500	7,454
Surplus sales	650	2,963
Miscellaneous:		
Rentals of land and buildings	10,500	13,214
Utilities	—	128
Deferred capital contribution	605	604
Dedicated revenue (Schedule 2)	1,400	1,632
Other	100	406
	<u>15,805</u>	<u>28,888</u>
	<u>15,805</u>	<u>28,525</u>
Total revenue	\$ 80,260	\$ 59,002
	\$ 80,260	\$ 63,314

¹ Excludes revenue with a amount of \$1,010 for the Department included in the 1996 Public Accounts PWSS Revenue Statement but has been excluded from these financial statements as this amount was not included in the 1997 PWSS Revenue Statement.

Schedule 2

**MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
CONSOLIDATED SCHEDULE OF NET BUDGETED INITIATIVES
FOR THE YEAR ENDED MARCH 31, 1997**

(IN THOUSANDS)

	1997		1996
	Budget	Actual	Actual
	(Note 11)		
Social Housing Initiative			
Dedicated revenue	\$ (1,400)	\$ (1,632)	\$ (1,830)
Expense	<u>15,400</u>	<u>15,080</u>	<u>19,776</u>
Net expense	<u><u>\$ 14,000</u></u>	<u><u>\$ 13,448</u></u>	<u><u>\$ 17,946</u></u>

The above dedicated revenue and expense are included in the statement of operations. Dedicated revenue represents a full reimbursement of certain expenditures incurred by Public Works, Supply and Services at the request of the following lodge foundations:

Foothills Foundation, Marquis Foundation, Willow Creek Foundation, Heart River Housing, Paintearth Foundation, Pincher Creek Foundation, and Parkland Foundation.

Schedule 3

**MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
CONSOLIDATED SCHEDULE OF EXPENSES
DETAILED BY OBJECT
FOR THE YEAR ENDED MARCH 31, 1997**

(IN THOUSANDS)

	1997		1996
	Budget	Actual	Actual
	(Note 11)		
Salaries, wages and employee benefits	\$ 58,815	\$ 56,273	\$ 60,011
Supplies and services	238,620	227,126	264,329
Contribution to IMAGIS	—	1,629	—
Grants	105,000	105,937	95,479
Financial transactions and other	45	45	45
Amortization of capital assets	6,3215	55,668	59,654
Cost of sales	3,700	3,232	3,513
Total gross expenses	<u>469,395</u>	<u>449,910</u>	<u>483,031</u>
Dedicated revenue (Schedule 2)	<u>(1,400)</u>	<u>(1,632)</u>	<u>(1,830)</u>
Total net expenses	<u><u>\$ 467,995</u></u>	<u><u>\$ 448,278</u></u>	<u><u>\$ 481,201</u></u>

MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
 CONSOLIDATED SCHEDULE OF PURCHASES
 OF CAPITAL ASSETS BY TYPE
 FOR THE YEAR ENDED MARCH 31, 1997
 IN THOUSANDS

	1997		1996
	Budget	Actual	Actual
Note 11)			
General capital assets:			
Land	\$ 12,800	\$ 3,326	\$ 17,614
Buildings	—	2,117	13,933
Aircraft	230	148	126
Equipment	2,600	1,603	2,595
Computer hardware and software ⁽¹⁾	6,635	8,300	10,104
Other ⁽¹⁾⁽²⁾	8,800	5,167	3,088
Infrastructure assets:			
Dams and water management structures	22,900	11,956	3,719
	<u>\$ 53,965</u>	<u>\$ 32,614</u>	<u>\$ 51,169</u>

Included in buildings, computer hardware and software, dams and water management structures and other assets is work in progress of \$24,522.

Other assets include trailers and leasehold improvements.

Schedule 5

MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
CONSOLIDATED SCHEDULE OF OPERATING BUDGET
FOR THE YEAR ENDED MARCH 31, 1997

(IN THOUSANDS)

	Department	Revolving Fund	Consolidated Adjustments	Consolidated Ministry
Revenues:				
Service revenue	\$	\$ 30,170	\$ (2,115)	\$ 28,055
Contribution to IMAGIS	-	-	-	-
Sales	3,700	-	3,700	
Fees, permits and licenses	2,700	-	-	2,700
Other revenues	15,200	25,580	(24,975)	15,805
	17,900	59,450	(27,090)	50,260
Net contribution from general revenues	434,335	-	-	434,335
	452,235	59,450	(27,090)	484,595
Expenses:				
Departmental support service	8,385	-	-	8,385
Information technology and supply	40,935	53,515	(25,825)	68,625
Management of properties	182,305	5,735	(1,265)	186,775
Planning and implementation of construction projects	205,610	-	-	205,610
	437,235	59,250	(27,090)	469,395
Other:				
Loss on disposal of capital assets	(5,000)	-	-	(5,000)
Write down of capital assets	(1,000)	-	-	(1,000)
Loss on disposal of inventories held for resale	-	-	-	-
Write down of inventories held for resale	(9,000)	-	-	(9,000)
	(15,000)	-	-	(15,000)
Excess of revenues over expenses	\$ -	\$ 200	\$ -	\$ 200

MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
CONSOLIDATED SCHEDULE OF OPERATING ACTUALS
FOR THE YEAR ENDED MARCH 31, 1997
(IN THOUSANDS)

	Department	Revolving Fund	Consolidation	(in thousands) \$
Revenues				
Services				
Contribution to IMAGIS		\$ 46,602	\$ 46,602	\$ 46,602
Sales		2,146	(17)	2,129
Fees, permits and licenses		5,264	(32)	5,232
Other revenues		28,284	—	28,284
	52,096	\$ 52,096	(24,300)	\$ 27,796
Net contribution from concessions	(44,689)	—	(44,689)	—
	446,689	\$ 446,689	(40,896)	\$ 458,409
Expenses				
Departmental support services		7,764	—	7,764
Information technology and supplies		68,627	(26,479)	42,148
Management of properties		174,714	(865)	173,849
Planning and implementation of construction projects		190,878	—	190,878
	420,639	\$ 420,639	(24,300)	\$ 449,939
Other:				
(Loss) gain on disposal of capital assets		(2)	900	(898)
Write down of capital assets		(4,034)	—	(4,034)
Gain on disposal of inventories held for resale		8,963	—	8,963
Write down of inventories held for resale		(10,658)	—	(10,658)
	(9,434)	\$ (9,434)	900	\$ 810
Less: adjustment of reserves on inventories	\$ 16,000	\$ (33)	\$ (16,500)	\$ 16,000

Schedule 7

MINISTRY OF PUBLIC WORKS, SUPPLY AND SERVICES
SCHEDULE OF INTRA-MINISTRY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 1997
(IN THOUSANDS)

	1997	
	Budget	Actual
(Note 11)		
Revenue:		
Department purchases of data processing services from PWSS Revolving Fund	\$ 850	\$ 760
Department contribution to PWSS		
Revolving Fund for IMAGIS	—	517
Department purchases for aircraft services	1,265	865
Department purchases telecommunications services from PWSS Revolving Fund	24,975	22,126
Department purchases postage from PWSS		
Revolving Fund	—	32
Total intra-ministry transactions	<u>\$ 27,090</u>	<u>\$ 24,300</u>
Expenses:		
Supplies and services provided to Department by PWSS Revolving Fund	\$ 27,090	\$ 23,783
Contribution to PWSS Revolving Fund by		
Department for IMAGIS	—	517
	<u>\$ 27,090</u>	<u>\$ 24,300</u>
Assets		
Accounts receivable from department to PWSS Revolving Fund	<u>\$ 3,541</u>	
Liabilities		
Accounts payable to PWSS Revolving Fund from department	<u>\$ 3,541</u>	

DEPARTMENT OF PUBLIC WORKS,
SUPPLY AND SERVICES
FINANCIAL STATEMENTS
MARCH 31, 1997

Auditor's Report

Statement of Revenues and Expenses

Statement of Changes in Financial Position

Statement of Assets and Liabilities

Notes to the Financial Statements

Schedule 1 – Revenues

Schedule 2 – Net Budgeted Initiatives

Schedule 3 – Funding Available

Schedule 4 – Expenses Detailed by Object

Schedule 5 – Purchases of Capital Assets by Type

Schedule 6 – Salaries and Benefits

AUDITOR'S REPORT

To the Minister of Public Works, Supply and Services

I have audited the statement of assets and liabilities of the Department of Public Works, Supply and Services (PWSS) as at March 31, 1997 and 1996 and the statements of revenues and expenses and changes in financial position for the years then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Section 14 of the Government Accountability Act requires the preparation of financial statements for the Department of PWSS as at March 31, 1998. In preparing to meet this requirement, the accompanying financial statements have been prepared using the accounting policies and reporting practices that the government has established for departments, as disclosed in Note 3. With certain exceptions that have caused me to provide a reservation of opinion, the basis of accounting is generally accepted accounting principles (GAAP). GAAP is the term used to describe the basis on which financial statements are normally prepared. Encompassing broad principles and conventions of general application, GAAP communicates information that is useful in making decisions and assessing performance. This objective is achieved by including all assets and liabilities, recognizing the effect of transactions and events in the period they occur and recording all costs of the Department's service delivery activities.

The following accounting policies employed in both 1997 and 1996 are exceptions from generally accepted accounting principles:

Pension obligations

Obligations to pension plans for current and former employees of the Department of PWSS have not been recognized as a liability in the accompanying statement of assets and liabilities and consequently the annual change in the liability has not been recognized in the statement of revenues and expenses. Determining the amount of the liability is dependent on taking a position, which I have not yet done, on how a share of any Provincial contribution to the elimination of the unfunded liability should be allocated to the Department of PWSS. However, in my view, an amount of approximately \$8.2 million due to pension plans at March 31, 1997, in the Department of PWSS's capacity as employer, and which is reflected in the financial statements of Treasury Department, should be recognized as a liability in these financial statements. The effect of this understatement of liabilities is to overstate expenses for the year ended March 31, 1997, by approximately \$3.5 million, which although not material in itself is material when aggregated with other over/understatements.

Employee entitlements and benefits

Accrued employee vacation entitlements and long-term disability benefits have not been recognized as a liability in the accompanying statement of assets and liabilities and consequently the annual change in the liability has not been recognized in the statement of revenues and expenses. In my view, an amount of approximately \$6.6 million representing accrued entitlements and benefits at March 31, 1997, and which is reflected in the financial statements of Treasury Department, should be recognized in these financial statements. The effect of this understatement of liabilities is to overstate expenses for the year ended March 31, 1997, by approximately \$1.0 million, which although not material in itself is material when aggregated with other over/understatements.

Capitalization of assets

Capital assets costing less than \$15,000 are expensed in the year acquired and have not been recognized as an asset in the accompanying statement of assets and liabilities. Consequently, the annual amortization of these assets has not been recognized in the statement of revenues and expenses. In my view, an amount of approximately \$7.8 million, representing the net book value of these assets as at March 31, 1997, should be recognized in these financial statements. The net effect of this understatement of assets is to understate expenses for the year ended March 31, 1997, by approximately \$146,000, which although not material in itself is material when aggregated with other over/understatements.

Site restoration costs

Known costs associated with the future removal and site restoration of underground fuel tanks are recognized in the period in which the restoration work is performed and have not been recognized as a liability in the accompanying statement of assets and liabilities. Consequently, the annual amortization of these costs has not been recognized in the statement of revenues and expenses. In my view, a liability of approximately \$4.1 million, representing future environmental costs as at March 31, 1997, and an asset of approximately \$2.2 million,



representing the expected future economic benefits to be realized from these expenditures as at March 31, 1997, should be recognized in these financial statements. The effect of this understatement of liabilities and assets is to overstate expenses for the year ended March 31, 1997 by approximately \$430,000, which although not material in itself is material when aggregated with other over/understatements.

Tenant improvements

The costs of tenant improvements in accommodation space owned by the Department are expensed in the year the improvement is constructed and have not been recognized as an asset in the accompanying statement of assets and liabilities. Consequently, the annual amortization of these assets has not been recognized in the statement of revenues and expenses. The full effect of this understatement of assets is not determinable at this time. However, in my view, a minimum amount of approximately \$2.4 million, representing the net book value of tenant improvements constructed in the year, should be recognized in these financial statements. The effect of this understatement of assets is to overstate expenses for the year ended March 31, 1997, by approximately \$1.9 million, which although not material in itself is material when aggregated with other over/understatements.

Asset valuation

An agreement for the capital lease of the Pine Ridge Nursery became effective as of July 17, 1997. This is an event occurring after the financial statement date providing further evidence of impairment of the value of this asset at March 31, 1997. However, the accompanying financial statements have not been adjusted to appropriately reflect the net recoverable value of this asset under the lease. In my view, a write-down of the net book value of buildings as at March 31, 1997 of approximately \$12.6 million should be recognized in these financial statements. The effect of this overstatement of assets is to understate expenses for the year ended March 31, 1997, by approximately \$12.6 million.

Included and excluded direct costs

Certain accommodation and telecommunication costs incurred in the operation of other departments have been included in the expenses of the Department. Certain other administration costs incurred in the operation of the Department have not been included in expenses. These costs are recorded by the departments that paid the expenses on behalf of the Department of PWSS.

In my opinion, except for the effects of the matters discussed in the preceding section, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.


Peter Valentine
FCA
Auditor General

Edmonton, Alberta

June 13, 1997, except as to Note 13 which is as of July 31, 1997

DEPARTMENT OF PUBLIC WORKS, SUPPLY AND SERVICES
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 1997
IN THOUSANDS

	1997	1996
	Budget	Actual
(Note 11)		
Revenues (Schedules 1 and 2):		
Fees, permits and licences	\$ 2,700	\$ 2,402
Other revenues	<u>15,200</u>	<u>28,284</u>
	17,900	30,686
Net contribution from general revenues	434,335	416,003
Funding available (Schedule 3)	<u>452,235</u>	<u>446,689</u>
	452,235	429,488
Expenses (Schedules 2 and 4):		
Departmental support services	8,385	7,764
Information technology and supply	40,935	38,623
Management of properties	182,305	174,714
Planning and implementation of construction projects	<u>205,640</u>	<u>199,538</u>
	437,235	420,639
	437,235	454,025
Other:		
(Loss) gain on disposal of capital assets	(5,000)	(727)
Write down of capital assets	(1,000)	(4,034)
Gain on disposal of inventories held for resale	—	5,968
Write down of inventories held for resale	<u>(9,000)</u>	<u>(10,658)</u>
	(15,000)	(9,454)
	(15,000)	(53,098)
Funding surplus	—	16,596
Funding returned to general revenues (Note 4)	<u>—</u>	<u>(16,596)</u>
	\$ —	\$ —
	\$ —	\$ —

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF PUBLIC WORKS, SUPPLY AND SERVICES
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE YEAR ENDED MARCH 31, 1997
 (IN THOUSANDS)

	1997	1996
	Budget	Actual
	(Note 11)	
Operating transactions:		
Funding surplus	\$ 16,596	\$ 22,365
Non-cash item included in funding surplus:		
Amortization of capital assets	52,000	48,496
Loss (gain) on disposal of capital assets	5,000	727
Write down of capital assets	1,000	4,034
Gain on disposal of inventories held for resale	5,965	3,838
Write down of inventories held for resale	9,000	10,658
Funding returned to general revenues	16,596	22,365
	67,000	57,950
Increase in accounts receivable	(7,312)	(5,152)
Increase in loans and advances	(4,958)	(220)
Increase in accounts payable and accrued liabilities	-	1,165
Increase in amount due to Treasury	650	220
(Decrease) increase in unearned revenue	-	3,081
	67,000	44,414
Cash provided by operating transactions	140,297	
Investing transactions:		
Purchases of capital assets (Schedule 5)	(45,135)	(22,835)
Proceeds on sale of capital assets	41,500	10,802
Proceeds on sale of inventories held for resale	-	22,793
Capital assets transferred from other departments	-	(91)
Capital assets transferred to other departments	-	6,207
Capital assets on hand	-	(1,974,241)
	(3,635)	16,876
Cash (used) provided by investing transactions	(1,990,292)	
Net cash provided (used)	63,365	61,290
Due from (to) general revenues and cash, beginning of year	-	(1,849,995)
Due from (to) general revenues and cash, end of year	\$ 63,365	\$ (1,788,705)
Due to general revenues and cash represented by:		
Due to General Revenue Fund	\$ (1,788,705)	\$ (1,849,995)
Cash	-	-
	\$ (1,788,705)	\$ (1,849,995)

The accompanying notes and schedules are part of these financial statements

DEPARTMENT OF PUBLIC WORKS, SUPPLY AND SERVICES
STATEMENT OF ASSETS AND LIABILITIES
AS AT MARCH 31, 1997
IN THOUSANDS

	1997	1996
Assets		
Accounts receivable (Note 5)	\$ 12,464	\$ 8,182
Loans and advances (Note 6)	5,178	220
Inventories held for resale	50,781	70,211
Capital assets (Note 7)	<u>1,760,253</u>	<u>1,818,649</u>
	<u><u>\$ 1,828,676</u></u>	<u><u>\$ 1,891,242</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$ 38,921	\$ 37,756
Due to Treasury (Note 8)	870	220
Unearned revenue	180	3,261
Due to general revenues	<u>1,788,705</u>	<u>1,849,995</u>
	<u><u>\$ 1,828,676</u></u>	<u><u>\$ 1,891,242</u></u>

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF PUBLIC WORKS, SUPPLY AND SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1997
(IN THOUSANDS)

Note 1 Authority

The Department of Public Works, Supply and Services operates under the authority of the Government Organization Act, Statutes of Alberta.

Note 2 Purpose

The Department is responsible for providing common services to support government program delivery. The Department provides capital infrastructure, accommodation, information technology and procurement services.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies:

(a) Reporting Entity

The reporting entity is the Department of Public Works, Supply and

Services, which is part of the Ministry of Public Works, Supply and Services and for which the Minister of Public Works, Supply and Services is accountable. The other entity reporting to the Minister is the Public Works, Supply and Services Revolving Fund. The activities of this organization are not included in these financial statements.

Since significant financial transactions of the Ministry are reported outside the Department's financial statements, the Ministry financial statements provide a more comprehensive accounting of the financial position and results of the Ministry's operations. The Ministry Annual Report provides a more complete picture of the responsibilities for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the "Fund"). The Fund is administered by the Provincial Treasurer. All revenues collected by the departments are deposited into the Fund and all disbursements made by the departments are paid from the Fund. The results of all departments' operations and their financial positions are combined to determine the financial position of the Fund.

(b) Basis of Financial Reporting

Revenues

All revenues are reported using the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Net Budgeting and Dedicated Revenues

Net budgeting provides an alternative basis for authorizing spending. Each net budgeted initiative must be approved by Treasury Board. Net budgeted revenue is termed "dedicated revenue." For programs providing services where the level of expense and revenue is related to the program's volume of activity, the annual budget is based on the estimated net amount of expense for the program. If demand for the program grows and provides increased revenue, the Department has the flexibility to respond with no increase in net cost to the government. If demand for the program diminishes and revenues decline, the Department must reduce expenses accordingly.

Net contribution from General Revenues

Since revenues to be generated by the Department are less than the approved operating expenses budget, additional funding needs to be provided from general revenues of the Province. The net contribution

from general revenues represents the funds provided from general revenues which, together with the revenues reported by the Department, provides the total funding available to the Department.

Expenses

Expenses represent the costs of resources consumed during the year on the Department's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for the current service of employees and additional employer contributions for employees' service relating to prior years.

Certain expenses, primarily for legal advice and banking services, incurred on behalf of the Department by other Ministries are not reflected in these statements.

Valuation Adjustments

Valuation adjustments are reported in the financial statements of the Treasury Department on behalf of the Department.

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees, indemnities, and deficits of provincial agencies within the Ministry.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals. The fair value of the financial assets are estimated to approximate their book values.

Capital assets of the Department are recorded at historical cost and are amortized on a straight-line basis over the estimated useful lives of the assets. Capital assets are restricted to those acquired for cash or exchanged for other assets. Assets acquired by right are not included. In addition, donated capital assets are recorded at nil cost. These policies were implemented April 1, 1995. The historical costs and accumulated amortization of capital assets on hand and available for use at that date were capitalized.

Capital assets of the Department include work in progress for buildings, dams and water management structures and other capital assets. These costs are capitalized but not amortized until the asset is in service.

Capital assets no longer required are transferred to inventories held for resale and are valued at the lower of amortized cost and net realizable value.

Liabilities

Liabilities include all financial claims payable by the Department at fiscal year end, except accrued vacation pay, long-term disability benefits and certain pension benefits, which are reflected in the financial statements of Treasury Department on behalf of all Departments.

Due to general revenues is the difference at fiscal year end between the value of assets held by the Department and its liabilities. It also includes the accumulated net cash flows relating to the Department's activities.

Statement of Changes in Financial Position

To prepare for implementation of the Government Accountability Act, the Province of Alberta started gathering financial information as at April 1, 1995 to be used for the comparative figures as at March 31, 1996. With the exception of capital assets, the comparative figures in the statement of changes in financial position have been prepared on the assumption that assets, liabilities, and due to/from general revenues were acquired or incurred during the year ended March 31, 1996.

Capital assets have been reported in the statement of changes in financial position as the amount on hand April 1, 1995 and transactions incurred in the year.

Note 4 Returned to General Revenues

The amount returned to general revenues represents the difference between the voted operating expenses and actual expenses made under that voted authority. Under existing legislation, this amount may not be retained by the Department.

Note 5 Accounts Receivable

	1997		1996	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	\$ 10,551	\$ 555	\$ 9,996	\$ 3,294
Refunds from suppliers	2,468	—	2,468	1,858
	<u>\$ 13,019</u>	<u>\$ 555</u>	<u>\$ 12,464</u>	<u>\$ 5,152</u>

The above receivables are unsecured, and non-interest bearing.

Note 6 Loans and Advances

	1997		1996	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accountable advances	\$ 870	\$ —	\$ 870	\$ 220
Mortgage receivable	4,308	—	4,308	—
	<u>\$ 5,178</u>	<u>\$ —</u>	<u>\$ 5,178</u>	<u>\$ 220</u>

Public Works, Supply and Services has used funds advanced by Treasury to establish petty cash funds, provide travel advances and set up damage deposits for foreign leases.

A mortgage receivable was extended to the Municipality of Wood Buffalo as consideration for their purchase of a building from PWSS. The mortgage is repayable in equal installments of \$375 over the next two years, with the final balance of \$3,558 to be paid on January 1, 2000. The effective interest rate included in the payments is 6 1/4% per annum.

Note 7 Capital Assets

		1997		1996	
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
General capital assets:					
Land	Indefinite	\$ 547,587	\$	\$ 547,587	\$ 551,481
Buildings ⁽¹⁾	40 years	1,811,686	642,722	1,168,964	1,219,576
Equipment	10 years	15,214	11,822	3,392	15,173
Computer hardware and software	5 years	4,519	3,408	1,111	1,830
Other ⁽¹⁾⁽²⁾	3-40 years	57,952	42,137	15,815	13,298
		<u>2,436,958</u>	<u>700,089</u>	<u>1,736,869</u>	<u>1,801,358</u>
Infrastructure assets:					
Land improvements	40 years	221	158	63	68
Dams and water management structures ⁽¹⁾	100 years	23,321	-	23,321	14,223
		<u>23,542</u>	<u>158</u>	<u>23,384</u>	<u>14,291</u>
		<u>\$ 2,460,500</u>	<u>\$ 700,247</u>	<u>\$ 1,760,253</u>	<u>\$ 1,815,649</u>

⁽¹⁾ Included in the cost and net book value of buildings, dams and water management structures and other assets is work in progress amounting to \$80,542 (1996 \$64,287).

⁽²⁾ Includes trailers and leasehold improvements.

Land and buildings in the amount of \$8,056 (1996 \$3,653) were transferred to inventory held for resale.

Note 8 Due to Treasury

The Treasury Department of the Province of Alberta has advanced funds to the Department which are being used to provide travel advances to employees and to fund various petty cash accounts. These funds are interest free and will be fully repaid when they are no longer required.

Note 9 Commitments

(a) Operating Leases

The Department leases space under operating leases which expire on various dates to 2015. The aggregate amounts payable for the unexpired terms of these leases are as follows:

1998	\$ 68,210
1999	53,605
2000	45,275
2001	38,055
2002	29,185
Thereafter	<u>119,285</u>
	<u>\$ 353,615</u>

(b) Capital Projects

Under the terms of a grant program, the Department is committed to fund the construction and upgrade of various facilities belonging to Regional Health Authorities in the Province over the next 4 years. The total cost of ongoing projects and the cost to complete approved phases of these projects are as follows:

Total projects costs	\$ 685,280
Costs relating to phases not yet approved	<u>(261,172)</u>
Total committed	424,108
Total expended to March 31, 1997	<u>(414,463)</u>
Remaining commitment as at March 31, 1997	\$ 9,645

(c) Other Commitments

As at March 31, 1997, the Department is committed to contracts to purchase equipment, supplies and services totaling \$40,080.

Note 10 Contingencies

At March 31, 1997, the Department was named as defendant in various legal actions. The total claimed in these legal actions amount to approximately \$444,561 (1996 \$440,552). The resulting loss, if any, from these claims cannot be determined.

The Department also has a contingent liability with respect to future site restoration costs associated with certain highway maintenance yards and other properties. The Department is currently assessing the nature and extent of environmental risks to determine the best course of action. The timing and amount of these costs are not reasonably estimable at March 31, 1997.

Note 11 Budget

The budget figures were derived from the Government Estimates approved on April 1, 1996.

Spending budgets were authorized by Appropriation Acts passed for the 1996-97 fiscal year and by Treasury Board pursuant to Section 29(1.1) of the Financial Administration Act.

Note 12 Related Party Transactions

Accommodation expenses of \$239,284 (1996 \$235,512) and telecommunications expenses of \$22,164 (1996 \$34,973) were incurred by the Department on behalf of other government organizations. Legal, personnel, and certain financial costs were provided to the Department by other government organizations at no cost.

The Department paid \$23,783 (1996 \$1,721) to the Public Works, Supply and Services Revolving Fund for supplies and services during the fiscal year. The Department also paid \$571 (1996 \$Nil) to the Revolving Fund as a contribution to the government-wide Integrated Management (Alberta Government) Information Systems ("IMAGIS") project. In addition, the Department paid Payment Systems Corporation (PSC), a joint venture partially owned by the Province of Alberta, \$291 (1996 \$313) for computer processing. Payables to the PWSS Revolving Fund at year end were \$3,541 (1996 \$99), and receivables from related parties outstanding at year end were \$64 (1996 \$40).

The Department and its employees paid certain taxes and fees set by regulation for permits, licences and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Capital assets owned by the Department of PWSS were transferred to the PWSS Revolving Fund and the Department of Environmental Protection at net book value. Capital assets were also transferred to the Department of PWSS from the Department of Agriculture and the Department of Health. Due to general revenues was decreased by the net book value of the transfers. The amounts transferred to (from) these entities comprise:

Equipment	\$ 10,153
Land	1,678
Buildings	1,672
Water projects	2,857
Buildings/Trailers	(82)
Equipment	(9)

Note 13 Subsequent Events

On July 17, 1997, PWSS entered into a long term lease of the Pine Ridge Forest Nursery to a third party. The March 31, 1997 net book value of the Nursery is \$16.9 million. The estimated value of the leased asset is \$4.3 million. The impact of this transaction will be recognized in the 1997/98 financial statements of PWSS.

Note 14 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

DEPARTMENT OF PUBLIC WORKS, SUPPLY AND SERVICES
 SCHEDULE OF REVENUES
 FOR THE YEAR ENDED MARCH 31, 1997
 (IN THOUSANDS)

	1997	1996
	Budget	Actual
(Note 11)		
Fees, permits and licences:		
Civil service parking	\$ 2,700	\$ 2,402
Freedom of Information and Protection of Privacy	—	4
	<u>2,700</u>	<u>2,402</u>
Other revenues:		
Investment income ⁽¹⁾	1,050	2,487
Refunds of expenditures:		
Previous year's refunds	1,500	7,484
Surplus sales	650	2,963
Miscellaneous:		
Rentals of land and buildings	10,500	13,214
Utilities	—	128
Dedicated revenue (Schedule 2)	1,400	1,632
Other	100	406
	<u>15,200</u>	<u>28,284</u>
Total revenues	<u><u>\$ 17,900</u></u>	<u><u>\$ 30,686</u></u>
	<u><u>\$ 17,900</u></u>	<u><u>\$ 30,898</u></u>

Investment income in the amount of \$9,210 is recorded in the 1996-97 Public Accounts (PSS) Revenus Statement but has been excluded from these financial statements as it was not recorded in prior years.

Schedule 2

DEPARTMENT OF PUBLIC WORKS, SUPPLY AND SERVICES
 SCHEDULE OF NET BUDGETED INITIATIVES
 FOR THE YEAR ENDED MARCH 31, 1997
 (IN THOUSANDS)

	1997		1996
	Budget	Actual	Actual
(Note 11)			
Social Housing Initiative			
Dedicated revenue	\$ (1,400)	\$ (1,632)	\$ (1,830)
Expense	<u>15,400</u>	<u>15,080</u>	<u>19,776</u>
Net expense	<u><u>\$14,000</u></u>	<u><u>\$13,448</u></u>	<u><u>\$17,946</u></u>

The above dedicated revenue and expense are included in statement of revenues and expenses. Dedicated revenue represents a full reimbursement of certain expenditures incurred by Public Works, Supply and Services at the request of the following lodge foundations:

Foothills Foundation, Marquis Foundation, Willow Creek Foundation, Heart River Housing, Paintearth Foundation, Pincher Creek Foundation, and Parkland Foundation.

DEPARTMENT OF PUBLIC WORKS, SUPPLY AND SERVICES
SCHEDULE OF FUNDING AVAILABLE
FOR THE YEAR ENDED MARCH 31, 1997
(IN THOUSANDS)

	1997					1996	
	Amounts						
	Voted	Suppl.	Var.	Transf.	Acc.	Amounts	
Authorised and voted expenses (a)							
Departmental support services	\$ 8,385	\$ 8	-	\$ 8	-	\$ 8,385	\$ 10,920
Information technology and supply	40,948	-	-	-	-	40,948	41,676
Management of properties	182,315	-	-	-	-	182,315	194,120
Planning and implementation of construction projects	208,610	-	-	-	-	208,610	110,810
	\$437,235	\$ 8	-\$	\$ 8	-\$	\$437,235	\$76,496
Actual capital assets (b)							
Loss (gain) on disposals	5,000	-	-	-	-	5,000	(5,835)
Write down	1,000	-	-	-	-	1,000	(1,302)
Actual inventories held for resale (b)							
Gain on disposals	-	-	-	-	-	(5,965)	(3,838)
Write down	9,000	-	-	-	-	9,000	(1,302)
	\$452,235	\$ 8	-\$	\$ 8	-\$	\$452,235	\$810,854

(a) The funding available for expenses related to voted appropriations represents the Department's funding for operating purposes as authorized by the Legislative Assembly. When actual expenses related to voted appropriations are less than that authorized by vote, the difference is returned to general revenues. When actual expenses related to voted appropriations are greater than authorized by vote, the difference reduces the funding available for expenses related to voted appropriations in the following year.

(b) The funding available for (gain) loss on disposal and write down is equal to the actual (gain) loss and write down of both the capital assets and inventories held for resale.

(c) Funding available for the year ended March 31, 1996, differs between these financial statements and the 1997-98 Government Estimates. The funding available in these financial statements is calculated such that the Department's funding surplus/deficit is the difference between the voted operating expenses and actual expenses made under that voted authority.

Schedule 4

DEPARTMENT OF PUBLIC WORKS, SUPPLY AND SERVICES
 SCHEDULE OF EXPENSES DETAILED BY OBJECT
 FOR THE YEAR ENDED MARCH 31, 1997
 (IN THOUSANDS)

	1997		1996
	Budget	Actual	Actual
(Note 11)			
Salaries and benefits (Schedule 6)	\$ 51,675	\$ 49,452	\$ 52,599
Supplies and services	228,515	216,709	254,568
Grants	105,000	105,937	95,479
Financial transactions and other	45	45	45
Amortization of capital assets	52,000	48,496	51,334
Total gross expenses	437,235	420,639	454,025
Dedicated revenue (Schedule 2)	(1,400)	(1,632)	(1,830)
Total net expenses	<u>\$ 435,835</u>	<u>\$ 419,007</u>	<u>\$ 452,195</u>

DEPARTMENT OF PUBLIC WORKS, SUPPLY AND SERVICES
 SCHEDULE OF PURCHASES OF CAPITAL ASSETS BY TYPE
 FOR THE YEAR ENDED MARCH 31, 1997
 (IN THOUSANDS)

	1997		1996
	Budget	Actual	Actual
(Note 11)			
General capital assets:			
Land	\$ 12,800	\$ 3,326	\$ 17,604
Buildings ¹	—	2,117	13,933
Equipment	200	100	2,595
Computer hardware and software	435	169	982
Other	\$ 8,800	\$ 1,167	3,088
Infrastructure assets:			
Dams and water management structures ¹	22,900	11,956	3,719
	<hr/> <u>\$ 45,135</u>	<hr/> <u>\$ 22,835</u>	<hr/> <u>\$ 41,921</u>

Included in buildings, dams and water management and other assets are work in progress of \$1,600. Other assets include trailers and leasehold improvements.

Schedule 6

DEPARTMENT OF PUBLIC WORKS, SUPPLY AND SERVICES
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 1997
(IN THOUSANDS)

	1997			1996		
	Number of Individuals	Salary ⁽³⁾	Benefits and Allowances ⁽⁴⁾	Total	Number of Individuals	Total ⁽³⁾
Senior officials:						
Deputy Minister ⁽⁵⁾	1.0	\$ 93,855	\$ 21,205	\$ 115,060	1.0	\$ 109,880
Assistant Deputy Ministers						
Finance and Administration ⁽⁶⁾	0.0	—	—	—	0.5	45,632
Information						
Technology and Supply	1.0	85,322	16,351	101,673	1.0	126,234
Property Development	1.0	76,896	16,675	93,571	1.0	113,922
Property Management	1.0	86,393	14,862	101,255	1.0	112,708
Strategic Business Initiatives ⁽⁷⁾	0.0	—	—	—	0.1	17,728
Executive Directors						
Human Resources ⁽⁸⁾						
Former	0.4	33,329	30,164	63,493	1.0	104,859
Current	0.6	59,533	10,092	69,625		
Finance ⁽⁹⁾						
Base Salary	1.0	78,188	17,651	95,839	1.0	95,967
One-time retroactive adjustment	0.0	14,677	1,735	16,412		
Director						
Communications	1.0	54,696	11,662	66,358	1.0	54,152
Other managers (average salary and benefits 1997 \$70,580 1996 \$69,163)						
	192.0	11,091,972	2,459,309	13,551,281	199.0	13,763,503
Other salaried staff ⁽¹⁰⁾ (average salary and benefits 1997 \$37,635 1996 \$38,331)						
	790.0	25,287,660	4,443,948	29,731,608	873.0	33,463,212
Professional staff (average salary and benefits 1997 \$55,843 1996 \$57,382)						
	187.0	9,056,894	1,385,781	10,442,675	195.0	11,189,483
Non-salaried staff ⁽¹²⁾						
		982,138	68,750	1,050,888		766,295
		47,001,553	8,498,185	55,499,738		59,963,575
Other — Miscellaneous ⁽¹³⁾						
		678,734	94,246	772,980		—
Other — Revolving Fund ⁽¹³⁾						
		(5,875,880)	(944,933)	(6,820,813)		(7,364,249)
General Revenue Fund Total ⁽¹⁴⁾						
		\$41,804,407	\$7,647,498	\$49,451,905		\$52,599,326

Includes all costs for employees of the Department and the Public Works, Supply and Services Revolving Fund.

The number of individuals is based on an average for the year.

Amounts for salary include regular gross pay and supplementary payments to employees such as shift differential and paid overtime. 1996 amounts for salary include Productivity Plus awards.

Amounts shown include employer contributions for health care, workers' compensation, life insurance, employment insurance, pension plans, dental plans, and long term disability insurance. The amounts also include vacation payouts for management employees, and vacation payouts for non-management employees terminated as a result of departmental downsizing. The amounts shown also include payments for tuition, memberships and other allowances. Cash payments made in lieu of benefit payments associated with separation payments for restructuring are also included.

The Deputy Minister is provided with an automobile. The taxable benefit is not included in the benefits and allowances.

When the Assistant Deputy Minister of Finance and Administration was transferred from the Department of Public Works, Supply and Services to the Department of Municipal Affairs in September 1995, the Department of PWSS chose to fill the position at a lower classification with ~~general responsibilities~~.

The salary and benefits for the Assistant Deputy Minister, Property Development is for the period of April 1, 1996 to January 20, 1997 when the Assistant Deputy Minister assumed the responsibilities of the Deputy Minister of Alberta Finance.

The Assistant Deputy Minister, Strategic Business Initiatives was appointed as Assistant Deputy Minister of Property Development in May 1995. The position of Assistant Deputy Minister, Strategic Business Initiatives was modified in May 1996.

There was a two month period when two individuals occupied the position of Executive Director, Human Resources. The current Executive Director was appointed on July 1, 1996 while the former Executive Director retired on August 31, 1996.

¹ One-time retroactive salary, benefits and pension contribution adjustment is based on an approved position reclassification.

Salaried staff includes permanent, temporary, and "superwage," part-time permanent, and part-time temporary employees.

² Non-salaried staff are wage employees paid at an hourly rate.

³ "Other" represents an adjustment to arrive at the total manpower expenditure for the General Revenue Fund (GRF). The GRF total includes salaries for employees on long term disability, costs for the Summer Temporary Employment Program (STEP) and Employment Skills Program (ESP), and conference fees, and excludes salaries and benefits paid to employees of the Public Works, Supply and Services Revolving Fund.

General Revenue Fund Total agrees with the total manpower expenditure as recorded in the GRI year end DFSM4031 report.

**PUBLIC WORKS, SUPPLY AND SERVICES
REVOLVING FUND
FINANCIAL STATEMENTS
MARCH 31, 1997**

Auditor's Report

Balance Sheet

Statement of Net Income and Retained Earnings

Statement of Changes in Financial Position

Notes to the Financial Statements

Schedule of Net Income from Operations



AUDITOR'S REPORT

To the Minister of
Public Works, Supply and Services

I have audited the balance sheet of the Public Works, Supply and Services Revolving Fund as at March 31, 1997 and the statements of net income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 2 to the financial statements.

Peter Valentine FCA
Auditor General

Edmonton, Alberta
June 30, 1997

PUBLIC WORKS, SUPPLY AND SERVICES REVOLVING FUND
 BALANCE SHEET
 AS AT MARCH 31, 1997

	1997	1996
Assets		
Current:		
Accounts receivable	\$ 6,982,546	\$ 5,634,968
Inventories, at cost	268,453	399,131
Prepaid expenses	<u>1,141,160</u>	<u>1,019,045</u>
	8,392,159	7,053,144
Capital assets (Note 3)	<u>51,257,333</u>	<u>38,654,614</u>
	<u><u>\$ 59,649,492</u></u>	<u><u>\$ 45,707,758</u></u>
Liabilities and Retained Earnings		
Current:		
Accounts payable and accrued liabilities	\$ 6,049,142	\$ 6,211,593
Deferred capital contributions (Note 4)	8,792,451	9,396,224
Advance from the General Revenue Fund	38,102,315	23,338,886
Retained earnings	<u>6,705,584</u>	<u>6,761,055</u>
	<u><u>\$59,649,492</u></u>	<u><u>\$45,707,758</u></u>

The accompanying notes and schedule are part of these financial statements.

**PUBLIC WORKS, SUPPLY AND SERVICES REVOLVING FUND
STATEMENT OF NET INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1997**

	<i>1996</i>	<i>1995</i>
	Budget	Actual
Sales, Schedule 1		
Sales, Schedule 1	\$66,700,000	\$47,205,087
Contribution to JMACS (Note 1)	3,700,000	(26,708)
		2,146,250
	\$ 70,000	\$ 44,103
	\$ 34,436,488	
Operating expenses (Note 3)		
Telephone and communications	16,734,100	16,760,452
Amortization of capital assets	11,250,000	11,250,000
Materials	7,180,000	6,820,813
Repairs and maintenance	6,931,500	6,931,500
Rentals	(17,000)	(17,000)
Cost of sales, Schedule 1	(700,000)	(700,000)
Professional, technical and labor services	(11,400)	(11,400)
Materials and supplies	1,996,700	3,204,714
Contribution to JMACS (Note 1)		
Other purchased services	5,181,000	5,181,000
Data processing	4,074,000	4,952,599
Insurance	380,000	404,593
Employee severance costs	—	140,646
Travel	(21,000)	(22,969)
Freight and postage	(8,400)	(69,392)
Loss (gain) on disposal of capital assets, net		(900,000)
Miscellaneous	77,000	(123,875)
	59,250,000	\$ 24,713,346
Net income (loss) for the year, Schedule 1	(\$ 19,250)	\$ 10,343,346
Retained earnings at the beginning of the year	5,682,000	6,761,055
	\$ 5,882,000	\$ 6,705,584
Transfer of earnings to the General Revenue Fund	—	(1,000,000)
Retained earnings at end of year	\$ 5,882,000	\$ 5,705,584

PUBLIC WORKS, SUPPLY AND SERVICES REVOLVING FUND
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE YEAR ENDED MARCH 31, 1997

	1997	1996
	Budget	Actual
(Note 8)		
Operating activities:		
Cash from operations:		
Net income (loss) for the year	\$ 200,000	\$ (55,471)
Charges (credits) not affecting cash:		
Amortization of deferred capital contributions	(605,000)	(603,773)
Amortization of capital assets	11,215,000	7,172,071
Write-offs of capital assets	–	157,197
Loss (gain) on disposal of capital assets, net	–	(900,000)
	<hr/> 10,810,000	<hr/> 5,770,024
Net change in working capital (Note 6)	–	(1,501,466)
Net cash provided by operating activities	<hr/> 10,810,000	<hr/> 4,268,558
Investing activities:		
Purchase of capital assets	(27,830,000)	(19,931,987)
Proceeds from disposal of capital assets	–	900,000
Net cash (applied to) investing activities	<hr/> (27,830,000)	<hr/> (19,031,987)
Net cash provided by (applied to) operating, investing and financing activities	(17,020,000)	(14,763,429)
Transfer of earnings to the General Revenue Fund	–	(1,000,000)
Increase (decrease) in cash	<hr/> (17,020,000)	<hr/> (14,763,429)
Increase (decrease) in advance from the General Revenue Fund	17,020,000	6,994,714
Net increase (decrease) in cash	<hr/> \$ –	<hr/> \$ –

PUBLIC WORKS, SUPPLY AND SERVICES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1997

Note 1 Authority and Purpose

The Public Works, Supply and Services Revolving Fund operates under the authority of section 21.1 of the Financial Administration Act, Chapter F-9, Revised Statutes of Alberta 1980, as amended.

The purpose of the Fund is to provide supplies and services to government departments and agencies.

During 1995, an advance was made from the Fund to a private corporation. The directives under Section 21.1 of the Financial Administration Act do not provide for advances to be made from the Fund. The advance has been repaid as of November 1996.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared by management in accordance with generally accepted accounting principles except that accrued costs incurred under defined benefit pension plans, employee disability plans and vacation pay entitlements for employee services rendered, and certain costs referred to in Note 5 have not been recorded. These costs are accrued in the financial statements of the General Revenue Fund of the Province.

The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

b. Amortization of Capital Assets

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware	3 to 6 years
Aircraft	5 to 24 years
Computer software	3 to 8 years
General equipment	8 to 10 years
IMAGIS software	5 years

(c) Revenue Recognition

Service revenue is recognized when the service is rendered. Cash received in advance of services rendered is recorded as deferred revenue.

Capital contributions are deferred and recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Note 3 Capital Assets

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 39,806,202	\$ 36,952,630	\$ 2,853,572	\$ 2,367,326
Aircraft	36,080,883	11,086,124	24,994,759	26,453,456
Computer software	13,745,792	10,392,956	3,352,836	4,916,739
General equipment	11,702,223	1,842,308	9,859,915	3,093
IMAGIS software	10,196,251	–	10,196,251	4,914,000
	<u>\$111,531,351</u>	<u>\$ 60,274,018</u>	<u>\$ 51,257,333</u>	<u>\$ 38,654,614</u>

Integrated Management (Alberta Government) Information Systems (“IMAGIS”) software includes all pre-development and development costs incurred by the Revolving Fund in the implementation of the government-wide system. It does not include \$2,146,250 contributed by other government Ministries for staff resources seconded to the project. IMAGIS costs have not been amortized as the software has not yet been put into use.

Note 4 Deferred Capital Contributions

In 1995, two CL215 water bomber aircraft were acquired from the Government of Canada for \$1.00 each. The fair value of these aircraft has been capitalized with an offset recorded as deferred capital contributions. Amortization of \$603,773 (1996 \$603,774) was recorded as operating expenses.

Note 5 Operating Expenses

Accommodation, certain salaries and other administrative expenses incurred in the administration of the Revolving Fund have not been included in the Fund’s expenditures. These costs are recorded by the General Revenue Fund of the Province and amount to approximately \$2,988,000 (1996 \$1,798,000).

Note 6 Net Change in Working Capital

Net change in working capital comprises:

		1997	1996
	Budget	Actual	Actual
Accounts receivable	\$ -	\$ (1,347,578)	\$ 647,664
Inventories	-	130,678	47,700
Prepaid expenses	-	122,115	87,884
Accounts payable and accrued liabilities	-	(162,451)	5,413,224
Deferred revenues	-	-	247,274
	\$ -	\$ (1,501,466)	\$ 5,773,430

Note 7 Salary and Benefits Disclosure

Information on salary and benefits of the Fund's staff required under the Treasury Board Directive 11-95 is included with information on the salary and benefits of staff of the Department of Public Works, Supply and Services in Volume 2 of the 1996-97 Public Accounts.

Note 8 Budget

A budget of expenses by program for the Fund was included in the 1996-97 Government Estimates. A more detailed budget, prepared by management, has been included in these financial statements for comparison with the actual figures. The 1996-97 budget was approved by Treasury Board on December 6, 1995.

Note 9 Financial Instruments

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short term nature of these items. The fair value of the advance from the General Revenue Fund approximates its carrying value due to common management control of the Revolving Fund and the General Revenue Fund.

Note 10 Transfer of Telecommunications Division and Air Transportation

Effective April 1, 1996, the telecommunications network services provided by the Department of Public Works, Supply and Services to government departments and agencies on a shared basis were transferred to the Revolving Fund.

Telecommunications equipment with a net book value of \$10,153,127 was purchased by the Revolving Fund from the General Revenue Fund for that amount.

Also effective April 1, 1996, the air transportation services and related costs were transferred to the Revolving Fund. The comparative figures have not been restated to show 1995-96 telecommunications and aircraft operations.

Note 11 Comparative Figures

The 1996 figures have been reclassified where necessary to conform to 1997 presentation.

Note 12 Approval of Financial Statements

These financial statements have been approved by management.

Schedule 1

PUBLIC WORKS, SUPPLY AND SERVICES REVOLVING FUND
 SCHEDULE OF NET INCOME FROM OPERATIONS,
 FOR THE YEAR ENDED MARCH 31, 1997





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